

August 15, 2018

BY HAND DELIVERY AND ELECTRONIC MAIL

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

RE: Docket 4755 - Notification of an Energy Efficiency Incentive Greater Than \$3,000,000 Responses to Division's Fifth Set of Data Requests

Dear Ms. Massaro:

On behalf of National Grid,¹ I have enclosed ten copies of the Company's responses to the Division's fifth set of data requests in the above-referenced docket. Please note that the Company's responses to Data Requests Nos. 5-9 and 5-11 are pending.

Thank you for your attention to this matter. If you have any questions, please contact me at 781-907-2121.

Very truly yours,



Raquel J. Webster

Enclosures

cc: Docket 4755 Service List
Jon Hagopian, Esq.
John Bell, Division

¹The Narragansett Electric Company d/b/a National Grid (National Grid or the Company).

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below.

Paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.



Raquel J. Webster

August 15, 2018
Date

Docket No. 4755 - National Grid – Energy Efficiency Program Plan for 2018
Docket No. 4756 - National Grid – 2018 System Reliability Procurement Report (SRP)
Service list updated 7/9/18

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The Narragansett Electric Company
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Division 5-1

Request:

Please confirm the relative accuracy of the "Navalog" article of May 3. If not materially accurate, please clarify.

Response:

The referenced article appears to be consistent with on-going conversations among the Company, BQ Energy, and the Navy. However, the article is very high-level, based on a press release and based on the Navy's perspective. The article does not go into details regarding how the CHP was developed. There are several important aspects of the project that the Company would like to note:

- The Navy has said that the CHP would not have been possible without an energy efficiency incentive from National Grid. *See* the Company's responses to Division Data Requests 5-2, 5-6, and 5-12.
- National Grid played an influential role in developing the CHP since 2016; the Company's technical advice and review pushed BQ Energy to design a CHP that would qualify as an energy efficiency measure. *See* the Company's responses to Division Data Request 5-13.
- The article states that "The CHP will enhance the resiliency of the base." The Navy has stated numerous times that energy independence and resiliency is a benefit of the CHP; however, National Grid has not been able to quantify this benefit. Therefore, this benefit is not included in the benefit cost screening at this time.

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Division 5-2

Request:

Did the Company perform any due diligence with respect to the lease arrangements between the Navy and the contractors before making an incentive offer to the contractor? If so, please describe.

Response:

The Company began advising the Navy on this particular CHP and how it could qualify as energy efficiency measure in 2016. The Company was made aware of an idea to develop the CHP as an 'in-kind' project through a lease agreement in 2017. In 2017 and early 2018, the Company influenced the development of the CHP by technical assessment of energy models, requesting changes in operations and efficiency, etc. During this time, the Navy said several times that CHP would not be possible without an energy efficiency incentive and that the Navy would significantly change the lease agreement if the CHP could not qualify for an incentive. The Company was aware of the lease arrangements as it related to the Navy's financial ability to commit to the CHP and timing for the CHP. The lease arrangement is not considered a part of either the CHP's EE costs or benefits and, therefore, was not reviewed as part of the projects cost-benefit screening.

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Division 5-3

Request:

Please describe the Company's understanding of whether the Navy's lease results in the CHP plant being provided to the Navy at no further cost to the Navy other than the compensation in the form of the lease of the property itself. If other compensation is required, please explain.

Response:

The Company was not privy to the full lease agreement between the Navy and BQ Energy. The Navy informed the Company that it was not exchanging any money with BQ Energy; therefore, no other compensation is required besides the lease.

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Division 5-4

Request:

Will the Navy be receiving any financial benefit or credit from the CHP incentive paid to the contractor by National Grid, or will the financial benefits solely inure to the benefit of the CHP contractor with no obligation to credit the Navy in any way?

Response:

The CHP energy efficiency incentives will be made to BQ Energy LLC, as noted in the Notification letter. The Navy will own the CHP unit beyond the measure life of the CHP generator, which is 20 years. The Company does know the exact number of years. Once the CHP is completed, the Navy will receive many benefits from this project. The Navy will receive a significant kWh reduction in its local consumption. The CHP also offers the Navy resiliency.

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Division 5-5

Request:

Why is the incentive being paid to the contractor rather than the electric distribution customer of record (the Navy) who effectively paid for the CHP unit through the in-kind consideration?

Response:

BQ Energy LLC is developing the CHP and managing the CHP for some period of time on behalf of the Navy. Therefore, the incentive is going to BQ Energy LLC. This is at the request of the Navy and in line with past practices for other projects where a contractor was developing a project at a customer's site.

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Division 5-6

Request:

Were the contractors (Solar Breakers and/or BQ Energy) already committed or had they already offered to provide a CHP plant as in-kind consideration to the Navy before National Grid offered the CHP incentive which is now before the Commission for approval? If yes to either, please explain why National Grid offered the incentive in such case at an amount that was above the minimum for projects with efficiency of less than 60%, thereby resulting in an additional \$1 million of ratepayer funds being paid for a project that was proceeding anyway. If not, please explain the circumstances and sequence of negotiating events.

Response:

The contractors and Navy were not committed to the CHP before National Grid offered the energy efficiency incentive for CHP. In fact, the Navy and BQ Energy have told the Company that they waited until the CHP incentive offer was extended in January and revised for April 2018 to sign their lease agreement.

When the Navy and BQ Energy began exploring the solar project, they brought in National Grid to explore options for a CHP. This CHP project would not have proceeded without an energy efficiency incentive. For example, the Navy and BQ Energy LLC have said in meetings that the CHP will not be possible without an incentive for energy efficiency and that the terms of the lease would change dramatically without a CHP. For example, the Navy would have found other 'in kind' items for the contractor to pay in lieu of the lease payment.

As stated in Division 3-1, the Navy's CHP qualifies for up to \$1,125 kW per nameplate kW based on efficiency and previous energy efficiency savings of more than 5%. The incentive is based on \$1,000 per kW for 7 MW, equal to \$7 million. That is significantly lower than the \$1,125 per kW for the nameplate 7.95 MW system that they could qualify for under the 2018 EE Plan. There is no "additional \$1 million of ratepayer funds being paid."

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Division 5-7

Request:

What additional benefit would inure to ratepayers for paying the additional \$100/KW above the minimum to the contractor?

Response:

The Navy's CHP qualifies for up to \$1,125 per kW per nameplate kW based on the system efficiency and performing past energy efficiency that saved the base more than 5% of their gas and electric usage over the past five years. The CHP is planned as 7.95 MW nameplate which is equal to 7.55 MW after parasitic losses; at \$1,125 per kW, that could be an incentive upwards of \$8,500,000. The \$7 million incentive is less than that estimate. Therefore, this is not "paying the additional \$100/kW above the minimum." Please see the Company's response to Division Data Request 3-1.

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Division 5-8

Request:

What additional benefit would inure to the customer of record (the Navy) in this case for paying the additional \$100/KW above the minimum of \$900/KW to the contractor?

Response:

Please see the Company's response to Data Request DIV 5-7.

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Division 5-10

Request:

Please indicate whether receipt of the incentive equal to \$1,000/KW from National Grid is a legal prerequisite to the contractor(s) (Solar Breakers and/or BQ Energy) proceeding with the CHP under its lease agreement with the Navy or whether the contractor(s) can cancel the lease or alter its commitment relating to the CHP project under the lease if an incentive is not received.

Response:

The Company does not have a copy of the BQ Energy Lease Agreement and, therefore, cannot comment on the terms of the lease with the Navy.

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Division 5-12

Request:

When did it first come to the Company's attention that the Navy was negotiating or had executed a lease with the contractors that included a provision for the addition of a CHP project?

Response:

In September 2016, the Navy and the Office of Energy Resources requested a meeting with National Grid to discuss a large solar installation and possible CHP project. The Navy was interested in qualifying for an energy efficiency incentive for CHP. It was at this time that the Company started actively engaging with the Navy on the technical aspects of a CHP. The Company was not aware of any lease arrangement at the time.

Throughout 2017, the Company met with the Navy and BQ Energy to review options for a CHP, there were several iterations on the size and operating models. The Company became aware that the Navy wanted to develop this CHP as part of a lease agreement with BQ Energy in 2017. The Navy expressed in several meetings that if the contractor and Company could not make the CHP project model meet the energy efficiency guidelines for qualifications then the terms of the lease would change dramatically. Through discussions, the Company was told that an agreement would only occur between the Navy and BQ Energy after the Company officially offered the CHP incentive to BQ Energy. The Company extended an offer letter to BQ Energy and the Navy on January 30, 2018 and then again a revised offer letter on April 12, 2018. The Company received the signed offer letter from BQ Energy on May 2, 2018 for the CHP incentive.

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Division 5-13

Request:

In the Company's notification to the Commission, it includes the following statement: "Based on the large electric and gas load at the site of the proposed CHP system, the Navy and the Company have been trying to find a way to implement a CHP at the Navy's site for several years." Please describe the Company's role, if any, in persuading the Navy to include a CHP project as part of the lease arrangements between the Navy and the contractors in this case.

Response:

The Company has discussed CHP with the Navy several times since 2012. However, the Navy was never able to pursue a CHP. The Company and Navy began scoping this particular project in October, 2016. The Company was not aware of how the Navy intended to develop or finance the project, for example as in 'in-kind' contribution through a lease agreement, until 2017. The Company played a pivotal, attributable, role in advising how the CHP should be optimized in order to qualify as energy efficiency. For example, the Company held bi-weekly meetings, reviewed models, asked for numerous changes in operations and encouraged higher system efficiency in order for the system to qualify for an incentive. Division 5-11 will include a time line with emails and documents.

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Division 5-14

Request:

Please provide the forecasted monthly production profile for the planned 21-megawatt solar project that is the subject of the lease arrangement.

Response:

The Company does not review monthly production profiles for solar. The Company reviews the maximum kW output of a Distributed Generation onto our distribution system and the impacts of nameplate kW throughout the year.