

May 31, 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**

Dear Ms. Massaro:

On behalf of National Grid and pursuant to the approved 2018 Energy Efficiency Plan, please see the enclosed Notification of an Energy Efficiency Incentive Greater Than \$3,000,000.

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

Sincerely,



Raquel J. Webster

Enclosure

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

## **Notification of an Energy Efficiency Incentive Greater Than \$3,000,000**

Pursuant to the 2018 Energy Efficiency Plan (EE Plan), National Grid<sup>1</sup> submits this notification to the Rhode Island Public Utilities Commission (PUC) of a \$7,242,000 incentive for a 7 MW Combined Heat and Power (CHP) system to BQ Energy LLC for installation at Naval Station Newport (Navy), in Newport, Rhode Island (Project). The Company plans to pay the incentive in 2020. The EE Plan provides as follows:

[T]he Company will file a written notification with the PUC of any energy efficiency incentive annual offer in excess of \$3 million. The project, the incentive, and any other related proposals will be authorized to proceed after thirty days from the notice filing unless the PUC suspends the filing and/or issues an order within such 30-day period to extend the time for purposes of further review.

EE Plan at Section 5.d, Budget Management, Bates page 29.

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. The Company has reviewed this Project and has worked with the Navy and project developers to verify energy engineering information prior to calculating a benefit / cost ratio (BCR) and creating an incentive offer letter. The proposed CHP system will reduce the overall source energy used by the site by generating electricity while making steam during the heating season.

The Project exceeds a BCR of 1, as defined in the 2018 EE Plan. Once the proposed CHP system is operational, the Company expects that the Navy will import significantly less electricity from National Grid's electric distribution network. Additionally, the CHP is part of a comprehensive project that includes 21MW of solar and enhances the Navy's reliability.

The Project will be complex and will involve many deliverables from numerous stakeholders, including National Grid. The next steps and estimated timeline are outlined below and will evolve as the Project progresses:

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

- Execute contract between BQ Energy LLC and the CHP project developer.
- March 2018 – April 2020: Continue the Electric Interconnection Study and implement any necessary upgrades to the Company's electric distribution infrastructure.
- May 2018 – November 2019: The Navy will sign a contract with National Grid for gas system upgrades to provide firm gas supply to the CHP. Currently, the Navy has interruptible gas supply, where they switch to burning oil during times of peak gas demand, i.e. very cold weather.
- July 2018 – April 2020: Design, bid, and build CHP system.
- May 2020 – July 2020: National Grid post inspection.
- December 2021: Final Commissioning.

The Company plans to offer the \$7,242,000 incentive in three stages:

- Upon demonstration of operability of the CHP System, the Navy's contractors will receive \$5,600,000.
- Upon Final Commissioning of the CHP, they will receive \$1,400,000.
- As the CHP performs, they will receive a performance-based incentive of \$20/kW per net year up to a maximum of \$242,000; the payments will be paid semi-annually until either the maximum amount of \$242,000 (2018 dollars) has been paid, or ten years following the date on which final commissioning occurs of the CHP System, whichever occurs first.

The practice of making commitments for large projects was outlined in the 2014 EE Plan in Docket 4451. A commitment is when the Company encumbers current funding to cover the expected cost of projects it has agreed to fund even though those projects will not be completed until after the current program year. The Company will work with EE stakeholders to plan if and what an appropriate commitment will be as part of the 2019 EE Annual Plan.

The project offers extraordinary benefits to the Navy and to the wider community. The proposed CHP project will also help the Navy meet the Naval Facilities Engineering Command goals of energy efficiency and resiliency, as described in NAVFAC document P-602, "3-Pillars of Energy Security (Reliability, Resiliency, and Efficiency)."

Additionally, the Navy's economic impact in Rhode Island is legendary. For many years, the Navy was the State's largest single employer - both in terms of personnel and payroll - and is still the largest single employer in Newport County, and third overall in the state. Approximately 7,000 employees work at the 50 various commands located on Naval Station with an additional 15,000 students annually passing through one of the many schools on base.

Naval Station Newport has been undergoing a period of growth as a result of the 2005 Base Realignment and Closure recommendations. The Newport base will be the future home of the Navy Supply Corps School, currently located in Athens, GA. The Center for Service Support, formerly co-located with the Navy Supply Corps School, officially completed their relocation in July 2009.

This CHP project is part of a critical project for the Navy that involves many complex steps for all parties involved. Although the EE Plan provides a thirty-day timeframe for the PUC's review unless the PUC extends the time period, the Company respectfully requests an expedited review. If it would aid the PUC with its review, the Company can provide the Project's offer letter, minimum requirements document, and background documents regarding the cost-effectiveness of the Project.

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.

The 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.

\_\_\_\_\_  
Joanne M. Scanlon

\_\_\_\_\_  
May 31, 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 11/27/17**

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