



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Rhode Island Division of  
Public Utilities and Carriers  
89 Jefferson Blvd.  
Warwick RI 02888  
(401) 941-4500

December 20, 2018

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

**In Re: Docket 4888 - The Narragansett Electric Company, d/b/a National Grid  
2019 Energy Efficiency Program Plan**

Dear Luly,

Please find the State of Rhode Island Division of Public Utilities and Carriers, (the "Division") Response to the Public Utilities Commission's Record Request for filing in the above captioned docket.

I appreciate your anticipated cooperation in this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jon G. Hagopian".

Jon G. Hagopian  
Deputy Chief Legal Counsel

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION**

**IN RE: THE NARRAGANSETT ELECTRIC :  
COMPANY d/b/a NATIONAL GRID :  
2019 ENERGY EFFICIENCY : DOCKET NO. 4888  
PROGRAM PLAN :**

**THE PUBLIC UTILITIES & CARRIERS FIRST SET OF RECORD REQUESTS  
DIRECTED TO  
THE DIVISION OF PUBLIC UTILITIES & CARRIERS**

(Issued on December 11, 2018)

- 1-1 Based upon the National Grid's response to PUC Data Request 1-2, what did the Division consider to ensure that Narragansett Electric has not been overpaid for energy efficiency.

Response:

The Division interprets this question to be, more specifically, "in light of the fact that the Company has frequently exceeded its efficiency savings targets in recent years, what did the Division consider to ensure that Narragansett Electric has not been overpaid for energy efficiency." Further, the Division interprets "overpaid" to refer to the shareholder incentive mechanism and the revenues that it provides to utility shareholders, because the costs of the programs themselves are simply passed through to customers and the Company cannot be overpaid for those.

The Division considered the concern raised by this question in the design of the shareholder incentive mechanism itself. First, the energy efficiency programs are deemed to be cost-effective thereby ensuring that the benefits of the programs exceed the costs. This condition typically holds true even when the efficiency savings targets are exceeded. In fact, the efficiency program costs are capped, so when savings exceed the EE Plan targets customers are getting more net benefits than was originally expected at the time of the Energy Efficiency Plan. So, the customers are certain to enjoy net benefits even when savings are exceeded. For this reason, savings that exceed the EE Plan targets are considered to be a positive outcome from customers' perspective.

Second, with regard to the shareholder incentives provided to the Company, the incentive amount is 5% of EE program budgets, a relatively small amount. And the shareholder incentive amount is included as a cost in the cost-effectiveness analysis. These features ensure that the

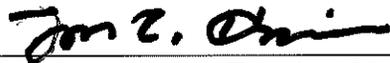
customers are still enjoying net benefits from the efficiency programs, even when the efficiency savings (and the Company's incentive payments) exceed the EE Plan targets.

Third, the shareholder incentive mechanism does have a cap in place. The amount of shareholder incentive that the Company can earn is limited 6.25% of the program budget once the savings reach 125% of the EE Plan targets. This feature of the incentive mechanism is designed to prevent a windfall to the Company in the event that it is able to achieve savings significantly higher than the EE Plan targets.

Response provided by or under the supervision of Tim Woolf, Synapse Energy Economics, Inc.

Division of Public Utilities and  
Carriers

By its attorney,



Jon G. Hagopian, Esq. (#4123)

Deputy Chief Legal Counsel

State of Rhode Island

Division of Public Utilities and Carriers

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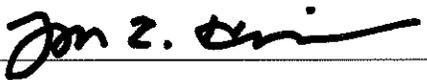
Warwick, R.I. 02888

Tel.: 401-941-4500

Dated: December 20, 2018

### CERTIFICATE OF SERVICE

I hereby certify that on the 20<sup>th</sup> day of December 2018 that I transmitted an electronic copy of the within Response to Record Request to the attached service list and to Luly Massaro, Division Clerk via electronic mail.



**Docket No. 4888 - National Grid – 2019 Energy Efficiency Plan (EEP)**  
**Docket No. 4889 - National Grid – 2019 System Reliability Procurement Report (SRP)**  
**Service list updated 12/3/18**

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