

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

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

**REPORT AND ORDER**

On October 15, 2018, The Narragansett Electric Company d/b/a National Grid (National Grid or Company) filed with the Public Utilities Commission (PUC or Commission) the Energy Efficiency Program Plan for 2019 (2019 Efficiency Plan or Plan).<sup>1</sup> The 2019 Efficiency Plan was filed as a settlement agreement executed by National Grid, the Division of Public Utilities and Carriers (Division), the Office of Energy Resources (OER), the Energy Efficiency and Resources Management Council (EERMC), Acadia Center, and Green Energy Consumer Alliance, Inc. (collectively the Settling Parties). After careful review and consideration of the filings, the PUC approved the 2019 Efficiency Plan with two modifications: (1) removal of the budget for “assessments” from the eligible spending budget for the calculation of the shareholder incentive; and (2) conditional approval of a \$5 million transfer of funds to the Efficient Buildings Fund (EBF) for inclusion in the spending budget for shareholder incentive calculation.

**I. Energy Efficiency Program Plan for 2019**

**A. Overview of Costs, Benefits, and Savings**

The Settling Parties submitted the 2019 Efficiency Plan pursuant to the System Reliability and Least Cost Procurement statute, R.I. Gen. Laws § 39-1-27.7, and the Least Cost Procurement Standards (Standards), as approved by the PUC at an Open Meeting on September 6, 2018 in

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<sup>1</sup> National Grid’s Energy Efficiency Program Plan for 2019; [http://www.ripuc.ri.gov/eventsactions/docket/4888-NGrid-EEPP2019\(10-15-18\).pdf](http://www.ripuc.ri.gov/eventsactions/docket/4888-NGrid-EEPP2019(10-15-18).pdf). All filings in this docket are available at the PUC offices, located at 89 Jefferson Boulevard, Warwick R.I. or at <http://www.ripuc.ri.gov/eventsactions/docket/4888page.html>.

Docket No. 4684.<sup>2</sup> The primary goal of the Plan is to create energy and economic cost savings for Rhode Island consumers through energy efficiency, as required by R.I. Gen. Laws § 39-1-27.7. The framework for the program consists of three-year planning periods and savings goals, followed by the development and implementation of annual plans, with the focus on achieving cost-effective energy efficiency.<sup>3</sup> The 2019 Efficiency Plan included a projected budget of \$107.5 million to deliver electric efficiency programs and \$31.6 million to deliver gas efficiency programs in 2019.<sup>4</sup> National Grid estimated that these expenditures would create annual savings of 194,677 MWh and 432,708 MMBtu and lifetime savings of 1,694,194 MWh and 4,426,644 MMBtu. The Company also represented that the 2019 Efficiency Plan is cost-effective using the Rhode Island Test (RI Test).<sup>5</sup> National Grid asserted that Rhode Island customers will realize \$4.00 in benefits for every \$1.00 invested in the 2019 Efficiency Plan's electric programs and \$2.70 in benefits for every \$1.00 invested in the natural gas programs. The Company further asserted that the investments made to achieve these savings would add \$85.6 million to Rhode Island's state gross

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<sup>2</sup> The System Reliability and Least Cost Procurement statute, R.I. Gen. Laws § 39-1-27.7, encourages the investment in cost-effective energy efficiency. Subsection (c)(5) of the statute provides the EERMC with the specific responsibility of reviewing and approving the cost-effectiveness of the energy efficiency plans. The EERMC reviewed and approved the 2019 Efficiency Plan, finding that it was cost effective according to the Rhode Island Test (RI Test) and the historically referenced Total Resource Cost Test, and that the energy saving are projected to cost less than the acquisition of additional supply. See Cost Effectiveness Report: National Grid's 2019 Energy Efficiency and System Reliability Procurement Plan; [http://www.ripuc.ri.gov/eventsactions/docket/4888-4889-EERMC-CostEffectiveReport\(10-30-18\).pdf](http://www.ripuc.ri.gov/eventsactions/docket/4888-4889-EERMC-CostEffectiveReport(10-30-18).pdf).

<sup>3</sup> At an Open Meeting on April 27, 2017, the Commission unanimously approved the Energy Efficiency Savings Targets (Targets) proposed by the EERMC in Docket No. 4684. See PUC Order No. 23446 (Mar. 5, 2019). The Commission found that the Targets reasonably reflected Rhode Island's energy efficiency potential projected over the three-year period from 2018-2020. The 2019 Efficiency Plan was submitted as the second annual plan of the three-year framework approved in Docket No. 4684. Additionally, Section 1.1 of the Standards requires National Grid to file annually a program plan with implementation details by program for the following program year.

<sup>4</sup> 2019 Efficiency Plan at 5.

<sup>5</sup> *Id.* at 2 and Attachment 4. On April 27, 2017, in Docket No. 4684, the PUC approved revised Least Cost Procurement Standards that set forth new requirements for a cost-effectiveness test, called the RI Test, designed to more fully reflect state policy with regard to energy, its costs, benefits, and environmental and societal impacts. The Standards require National Grid to assess the cost-effectiveness of measures, programs, and portfolios according to the RI Test, which was approved by the Commission in Docket No. 4600. The RI Test is intended to capture all benefits and costs of interest in Rhode Island energy policy and will allow a fair comparison of diverse resources in Rhode Island.

domestic product and create more than 1,256 job-years of employment.<sup>6</sup> Overall, National Grid represented that the 2019 Efficiency Plan would generate benefits of more than \$620 million over the life of the programs, with \$505 million in benefits coming from electric efficiency and demand response, and \$115 million in benefits coming from natural gas efficiency.<sup>7</sup>

National Grid also asserted that the 2019 Efficiency Plan satisfies the statutory requirement that the cost of procuring energy efficiency is less expensive than the cost of acquiring additional energy supply.<sup>8</sup> National Grid calculated the cost of procuring the lifetime savings for the electric efficiency portfolio at \$289 million less than if the electric load was met by purchasing additional electric supply, and \$25.1 million less than if the natural gas load was met by purchasing additional natural gas supply.<sup>9</sup>

The 2019 Efficiency Plan proposed a fully reconciling funding mechanism, in accordance with the Standards, that, effective January 1, 2019, would increase the current \$0.00972 per kWh electric Energy Efficiency Program (EEP) Charge by \$0.00152 per kWh, resulting in a total EEP charge of \$0.01121 per kWh, and would decrease the current gas residential \$0.858 per dekatherm charge by \$0.143 per dekatherm, resulting in a total \$0.715 per dekatherm EEP Charge for residential gas programs.<sup>10</sup> The 2019 Efficiency Plan would also decrease the current commercial and industrial \$0.662 per dekatherm charge by \$0.242 per dekatherm, resulting in a total \$0.420 per dekatherm EEP Charge.<sup>11</sup>

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<sup>6</sup> 2019 Efficiency Plan at 3.

<sup>7</sup> *Id.* at 2.

<sup>8</sup> The 2019 Bill Impact analysis included in Attachment 7 of the 2019 Efficiency Plan details that over the lifetime of the programs contained in the Plan, the average Rhode Island customer's bill will be less than if there were no energy efficiency programs.

<sup>9</sup> *Id.* at 4, 9.

<sup>10</sup> National Grid Revised Tables E-1 and G-1, Dec. 3, 2018; National Grid Revised Table E-1, December 7, 2018. *Id.* at 5.

<sup>11</sup> National Grid Revised Tables E-1 and G-1, Dec. 3, 2018.

## B. Programs

National Grid proposed to continue the majority of the residential, commercial, and industrial energy efficiency programs offered in 2018.<sup>12</sup> An overview of the programs was included in Tables E-2 and G-2 of the filing and the specific programs were set forth in detail within the proposal.<sup>13</sup> Most of these programs were previously approved in some form by the Commission.

National Grid intends to offer several new or enhanced programs in 2019. In addition, the parties explained that additional enhancements beyond those identified in the 2019 Efficiency Plan may be implemented throughout the program year as more information becomes available.<sup>14</sup>

Among the new or enhanced initiatives, National Grid plans to increase the number of cold climate mini-split heat pumps offered to customers heating with delivered fuels in its electric HVAC program. It will also expand the offering to income-eligible and multifamily programs consistent with the Amended Settlement Agreement in Docket Nos. 4770/4780.<sup>15</sup>

The 2019 Efficiency Plan also continues to provide funding for the EBF, a long-term, low cost financing program for local governmental units, including cities, towns, and quasi-state entities, to invest in clean energy projects.<sup>16</sup> The Plan provides \$5 million for an additional round

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<sup>12</sup> *Id.* at 16-21. For a summary of programs included in the 2018 Efficiency Plan that were *not* included in the 2019 Efficiency Plan, see National Grid's Resp. COMM 1-6; [http://www.ripuc.ri.gov/eventsactions/docket/4888-NGrid-DR-PUC1\(11-19-18\).pdf](http://www.ripuc.ri.gov/eventsactions/docket/4888-NGrid-DR-PUC1(11-19-18).pdf)

<sup>13</sup> The non-income eligible residential programs are: (1) Residential New Construction; (2) Energy Star® HVAC; (3) EnergyWise; (4) EnergyWise Multi-Family; (5) Energy Star® Lighting; (6) Residential Consumer Products; (7) Home Energy Reports; (8) Residential ConnectedSolutions; (9) Energy Efficiency Education Programs; (10) Residential Pilots; (11) Community Based Initiatives – Residential; and (12) Comprehensive Marketing – Residential. The income eligible residential programs are: (1) Single Family – Income Eligible Services; and (2) Income Eligible MultiFamily. The commercial and industrial programs are: (1) Large Commercial New Construction; (2) Large Commercial Retrofit; (3) Small Business Direct Install; (4) Commercial Demonstration and R&D; and (5) Commercial and Industrial Multi-Family. *See* 2019 Efficiency Plan at Tables E-2 and G-2 and Attach. 1 and 2.

<sup>14</sup> *Id.* at 16, n.17.

<sup>15</sup> *Id.* at 19,39.

<sup>16</sup> EBF is administered in partnership between the OER and the Rhode Island Infrastructure Bank (Infrastructure Bank).

of financing. National Grid posits that the \$5 million transfer will be leveraged to between two to five times that amount, and that the resulting financings will return energy savings of no less than 4,000 Annual MWh and 50,000 Annual therms.<sup>17</sup>

### **C. Public Comment**

On December 12, 2018, the Division submitted correspondence reiterating its support for the 2019 Efficiency Plan.<sup>18</sup>

Acadia Center, a nonprofit research and advocacy organization, submitted a letter of support for the Plan and provided public comment prior to hearing. Acadia Center requested that the PUC approve the Plan and highlighted its support for the expanded heat pump programs and incentives, the inclusion of demand response, and the equitable benefits relating to initiatives focused on low-income customers and renters.<sup>19</sup>

The Green Energy Alliance, a nonprofit organization that advocates for clean energy policy, expressed support for the Plan and noted that the programs will save customers money while reducing the state's reliance on carbon-emitting sources. Green Energy Alliance also noted its support for specific initiatives, including building electrification through air source heat pumps, increase in access to programs through the landlord incentive, and continued parity for delivered fuel customers, and demand response programs.<sup>20</sup>

The Energy Council of Rhode Island (TEC-RI), a nonprofit energy consortium comprising manufacturers, businesses and institutions, also submitted written comment and testimony prior to hearing. TEC-RI stated that it did not sign onto the 2019 Efficiency Plan as a settling party. TEC-

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<sup>17</sup> 2019 Efficiency Plan at 126.

<sup>18</sup> Written comments from the Division, Acadia Center, Sunrun, Inc, and the Green Energy Consumer Alliance are available at the PUC offices, located at 89 Jefferson Boulevard, Warwick R.I. or at <http://www.ripuc.ri.gov/eventsactions/docket/4888page.html>.

<sup>19</sup> Efficiency Hr'g Tr. at 6-10 (Dec. 11, 2018).

<sup>20</sup> *Id.* at 10-12.

RI noted that its members have concerns about the increasing cost of the efficiency charge and the impact on its member's ability to compete and expand in Rhode Island.<sup>21</sup>

#### **D. Hearing**

The PUC held a hearing on December 11, 2018. National Grid put forth four main witnesses: Rachel Henschel, Manager of Rhode Island Customer Energy Management; Courtney Lane, Lead Analyst with the Customer Energy Management Group; Stefan Nagy, Product Manager in the Emerging Products Group; and John Richards, Analyst for the Rhode Island Customer Management Team.<sup>22</sup> National Grid also made other witnesses available as specific programmatic questions were raised.

During questioning about definitions for specific terms used throughout the Plan, including the terms “program,” “sub-program,” “measure,” and “initiative,” it became clear there had been some confusion with the use and meaning of the terms. Ms. Henschel stated that National Grid would work on written definitions and apply them in a rigorous and consistent manner.<sup>23</sup>

Next, questioning focused on the differences between National Grid's use of the terms “pilots,” “demonstrations,” and “assessments,” and the effect of these differences on the calculation of the annual plan's savings goals and shareholder incentive. Ms. Lane testified that the Company defines “pilots” as projects where the Company does not know if they will create any savings.<sup>24</sup> Thus, “pilots” are excluded from the calculation of the energy savings goal and from the calculation of the spending budget, on which National Grid is able to earn a five-percent

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<sup>21</sup> *Id.* at 12-18.

<sup>22</sup> National Grid's witnesses adopted all previously filed testimony and data responses.

<sup>23</sup> Efficiency Hr'g Tr. at 57. Ms. Lane testified that she did not believe that National Grid previously had “ever thought about the specific definition” of some of these terms. *Id.* at 56.

<sup>24</sup> *Id.* at 68. Ms. Lane elaborated that “pilots” refer to projects where the Company is “truly testing something completely new where there hasn't been experience in other jurisdictions or available cost/benefit results from other utilities that we can use.” *Id.*

incentive.<sup>25</sup> Conversely, Ms. Lane testified that energy savings from “demonstrations and assessments” are included in the calculation of the annual savings and are included in the spending budget for which the Company can earn the five-percent incentive.<sup>26</sup>

Ms. Lane also testified about the Company’s increased efforts with heat pumps. She explained that the number of planned units of heat pumps is more than was anticipated in the three-year plan based on stakeholder input. Laura Rodormer, National Grid’s witness regarding specifics of the heat pump incentives, provided further information regarding the increase in the number of heat pumps incentivized in response to post-hearing record requests. The number of heat pumps proposed in the three-year plan was seventy-seven single family homes and multifamily housings units, while the 2019 Efficiency Plan proposed 190 single family homes and multifamily housings units.<sup>27</sup>

Brian Kearney testified for National Grid about the Company’s change in the level of incentive offered to renters and landlords. Mr. Kearney, who is implementing the initiative for National Grid, testified that the Company was changing the current incentive from a model where the tenant receives a 75% incentive to one where the landlord would receive a 100% incentive for covered improvements.<sup>28</sup> Ms. Henschel explained that National Grid modeled this new 100% landlord incentive after a program in Massachusetts that also offered no-cost improvements.<sup>29</sup> She further explained that an additional reason for this change was “about equity so all customers have that opportunity to participate and we have long known that the . . . landlord/tenant split incentive

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<sup>25</sup> *Id.* at 68-69.

<sup>26</sup> *Id.* at 70-71. Ms. Lane explained that for “assessments,” energy savings are not known so that savings are not included in the Plan’s goals, but if energy savings are actually achieved, those saving would be included in the calculation of the Plan’s energy savings. *Id.*

<sup>27</sup> National Grid’s Resp. to Record Request 4; [http://www.ripuc.ri.gov/eventsactions/docket/4888-NGrid-RRs\(12-18-18\).pdf](http://www.ripuc.ri.gov/eventsactions/docket/4888-NGrid-RRs(12-18-18).pdf).

<sup>28</sup> Efficiency Hr’g Tr. at 122-125.

<sup>29</sup> *Id.* at 127.

has been a barrier to participants and to customers who have long paid into the system benefit charge without the ability to improve [their] home.”<sup>30</sup>

National Grid witnesses also testified about the \$5 million transfer to the EBF. Ben Rivers, Senior Analyst in the Customer Energy Management Department, testified that the transfer is “leveraged two to three times” so that the “\$5 million transfer can be leveraged to about \$15 million.”<sup>31</sup> Ms. Henschel testified about the timing of the energy savings resulting from this transfer, stating that “[t]here are some [energy] savings that may be directly -- may be completed in 2019 that come from this round of funding.”<sup>32</sup> At hearing, National Grid was unable to provide specific figures regarding the timing of project funding and completion and the resulting efficiency savings, but in post-hearing record requests stated that it expected that “nearly all of the aforementioned \$15 million dollars will be lent in 2019 and that a vast majority of the predicted savings (4,000 MWh and 35,000 therms) will be claimed by National Grid in 2019.”<sup>33</sup>

Becca Trietch, Administrator of the OER, testified that the 2019 Efficiency Plan was reasonable and consistent with the least cost procurement standards.<sup>34</sup> Jeffrey Loiter, technical consultant to the EERMC, testified that the Plan was cost effective under the RI Test as specified in the least cost procurement standards.<sup>35</sup> Moreover, Mr. Loiter stated that “the total cost of

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<sup>30</sup> *Id.* at 131.

<sup>31</sup> *Id.* at 189. This “two to three times” leverage differs from the “two to five times” language stated in the Plan. *See*, 2019 Efficiency Plan at 126.

<sup>32</sup> *Id.* at 194.

<sup>33</sup> National Grid’s Resp. to RR 9; [http://www.ripuc.ri.gov/eventsactions/docket/4888-NGrid-RRs\(12-18-18\).pdf](http://www.ripuc.ri.gov/eventsactions/docket/4888-NGrid-RRs(12-18-18).pdf). National Grid’s response that the Plan was expected to result in savings of 35,000 therms differs from the 50,000 therms asserted in the Plan. *See* 2019 Efficiency Plan at 126.

The PUC issued post-decisional data requests to National Grid to obtain further information regarding the timing of the claimed savings resulting from the \$5 million transfer to the EBF. National Grid’s supplemental responses to the PUC’s Post-Decisional Data Request 1-4 reversed the Company’s earlier claims and confirmed that no projects funded by the \$5.0 million transfer “have been completed or are likely to produce savings that the Company is able to claim this calendar year.” National Grid’s Supplemental Response to PUC Post-decisional Data Request 1-4 (July 25, 2019).

<sup>34</sup> Efficiency Hr’g Tr. at 225.

<sup>35</sup> *Id.* at 226-227.

acquiring the energy savings through efficiency is less than it would cost to procure supply of the same amount.”<sup>36</sup>

### **E. Commission Findings**

At Open Meeting on December 20, 2018, the PUC, after careful review and consideration of the filings and testimony, voted unanimously to approve the 2019 Efficiency Plan with two modifications.

First, the PUC voted to disallow “assessments” from the spending budget for the calculation of the shareholder incentive. The PUC noted that there was no risk to National Grid regarding this spending because if savings are achieved, National Grid counts those savings in meeting the savings goals and the associated spending is included in the budget for the shareholder incentive. Conversely, if savings are not achieved, National Grid does not claim any savings toward the savings goal and does not include the associated spending in the budget for the shareholder incentive. The PUC found that the lack of risk to National Grid necessitated excluding the spending in the shareholder incentive calculation.

Second, the PUC found that there needed to be more discovery and examination of the treatment of the \$5 million transfer to the EBF. The PUC noted that there were discrepancies between the filing, the live testimony, and the responses to record requests. Accordingly, the PUC conditionally approved the \$5 million transfer to the EBF for inclusion in the spending budget for shareholder incentive calculation.

In addition, the PUC unanimously ordered National Grid to submit a compliance filing by March 1, 2019, that includes a standardized set of definitions and terms.<sup>37</sup>

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<sup>36</sup> *Id.* at 227.

<sup>37</sup> The PUC also stated that in approving the Plan, it was not endorsing the testing or performance metrics that were included in the Plan, or anything in the future that may happen with those metrics. National Grid submitted the compliance filing on March 28, 2019.

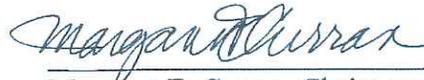
Accordingly, it is hereby

(23775) ORDERED:

1. The Energy Efficiency Program Plan for 2019 is approved with two modifications. First, The Narragansett Electric Company d/b/a National Grid shall remove the budgets for “assessments” from the eligible spending budget for the calculation of the shareholder incentive, and second, the \$5 million transfer of funds to the Efficient Buildings Fund shall be conditionally included in the spending budget for the shareholder incentive calculation.
2. The Narragansett Electric Company d/b/a National Grid’s electric Energy Efficiency Program charge of \$0.01121 per kWh is hereby approved for effect on and after January 1, 2019.
3. The Narragansett Electric Company d/b/a National Grid’s gas Energy Efficiency Program charges of \$0.715 per Dth for residential customers and \$0.420 per Dth for Commercial and Industrial customers are hereby approved for effect on and after January 1, 2019.
4. The Narragansett Electric Company d/b/a National Grid shall submit a compliance filing by March 1, 2019, that includes a standardized set of definitions and terms.

EFFECTIVE AT WARWICK, RHODE ISLAND ON JANUARY 1, 2019  
PURSUANT TO AN OPEN MEETING DECISION ON DECEMBER 20, 2018.  
WRITTEN ORDER ISSUED APRIL 16, 2020.

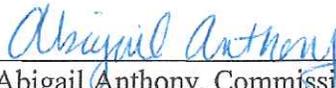
PUBLIC UTILITIES COMMISSION



Margaret E. Curran, Chairperson



Marion S. Gold, Commissioner



Abigail Anthony, Commissioner



**NOTICE OF RIGHT OF APPEAL:** Pursuant to R.I. Gen. Laws § 39:51, any person aggrieved by a decision or order of the PUC may, within 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.