



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Rhode Island Division of
Public Utilities and Carriers
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November 7, 2019

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

**In Re: Docket No. 4979—The Narragansett Electric Company dba National Grid Annual
Energy Efficiency Program Plan for 2020**

Dear Luly,

Please find for filing with the Commission, an original and nine (9) copies the State of Rhode Island Division of Public Utilities & Carriers (DPUC) Comments in support of the 2020 Energy Efficiency Plan (the "Plan") filed by National Grid on October 15, 2019.

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, Esq.
Deputy Chief Legal Counsel



Docket 4979

November 6, 2019

In Re: The Narragansett Electric Company d/b/a National Grid
Annual Energy Efficiency Plan for 2020

On behalf of the electric and gas customers of Rhode Island, the Division of Public Utilities and Carriers (Division) respectfully offers the following comments on The Narragansett Electric Company's (National Grid) 2020 Energy Efficiency Plan.

After careful review of the Plan in its entirety, in-depth examination of selected aspects of the Plan, and in light of several provisions adopted by Narragansett Electric over the course of the planning process, the Division is pleased to support the 2020 Energy Efficiency Plan as adopted by the Energy Efficiency and Resource Management Council.

The proposed Plan represents a continued commitment of stakeholders to the principles of Least Cost Procurement and advances Rhode Island's attainment of important state objectives, including the electrification of delivered-fuel heating customers, increased access to energy efficiency services for income eligible customers, and continued market penetration of commercial and industrial programs. Although the Division is concerned at the size of the increase in the energy efficiency spending budget of the proposed Plan, the program spending advances two long-standing objectives of Rhode Island regulatory policy: reducing greenhouse-gas emissions and increasing off-peak electrification of heating customers.

At the same time, over the course of the stakeholder process the Division, in concert with other stakeholders, identified areas that merit review in the next three-year planning process. In keeping with the three-year planning cycle, the Division accepts that the 2020 Annual Plan necessarily reflects consistency in many respects with the 2018 and 2019 Annual Plans. The Division anticipates that the 2021 Plan will present opportunities for more significant revision in several areas, including the design of the shareholder incentive, the evaluation of economic and other types of benefits, and the structure of the spending budget .

The Division supports the proposed 2020 Plan as a Statutory Intervenor in this proceeding rather than as a party bound to a settlement agreement, and accordingly will respect the privileged status of discussions the Division conducted with National Grid and other stakeholders over the course of the 9-month planning process. We highlight here for the Commission's general awareness some of the areas in which the Division expressed a particular interest and the Division's main concerns.

Shareholder Incentive

The Division carefully reviewed the proposed shareholder incentive, advocating against any increase in the incentive for National Grid shareholders. In its review and engagement with stakeholders the Division sought to address the concept of "risk" in the energy efficiency program, advocating that in a program

entirely funded by ratepayers, unlike most utility investments, there was zero risk to National Grid that merited a specific return. The Division argued instead that the shareholder incentive reflected a negotiated amount based on comparisons with other jurisdictions and overall commercial conditions. The Division believes it would be beneficial for stakeholders to undertake a fuller discussion of risk during revisions to the Standards and development of the next three-year plan, to assess the actual risk to shareholders.

The Division also examined whether the threshold for attainment of savings targets should operate at each program rather than at each sector in order to ensure that budgets are not shifted from one program to another. The Division carefully reviewed historical budgeted and actual energy efficiency spending to assess these trends.

Similarly, the Division examined whether there should be any change to the threshold at which the Company would begin to earn a shareholder incentive.

Given the January 2019 gas reliability event on Aquidneck Island, the Division advocated for the inclusion of a gas demand component within the shareholder incentive as an essential mechanism to incent the Company to implement those measures which yield passive peak demand reductions over measures that do not affect peak gas demand. For example, measures such as weatherization have the effect of reducing peak demand while measures such as thermostat controls often do not. The Plan includes steps toward development of a gas demand-based incentive component that the Division strongly supports.

Taken together, the Division expects to pursue many of these shareholder incentive topics in the next three-year plan.

Combined Heat and Power

The Division worked with National Grid to design several of the changes to the Combined Heat and Power program described in the proposed Plan. Of greatest importance to the Division is the requirement for National Grid to conduct a gas capacity analysis and to submit it to the Division for review prior to any CHP project being developed. The Division also thinks that the proposed pipeline of CHP projects is an important tool to keep all stakeholders apprised of any potential developments. CHP projects offer significant efficiency opportunities, but they are “lumpy” and have large impacts on the gas system such that they merit special oversight. The Division continues to work with consultants on how to best report and incorporate economic benefits into a benefit cost analysis for CHP projects. While the Division will not object to the methodology contained in the Brattle study for application to the programs generally, we have expressed concerns that use of a multiplier of the total costs of the CHP project may not be appropriate for large individual projects. Economic benefits should be a consideration. But use of a generic multiplier will tend to justify any CHP project, including those that might otherwise fail the screening test by a wide margin. For that reason, at the request of the Division, the plan requires the BCA to be shown with and without the economic development benefit, and leaves room for evaluation when the project would otherwise fail the BCA.

Codes and Standards

The Division advocated that work to enhance and implement codes and standards should be limited to technical assistance.

The Efficient Building Fund

The Efficient Building Fund represents an important tool for Rhode Island to achieve savings from complex projects in collaboration with municipalities. The Division recognizes that these projects often take longer to complete, involve engagement with multiple parties, and mix various funding streams. As a result, the Division advocated that National Grid and the Rhode Island Infrastructure Bank develop a detailed accounting and reporting format for appropriated Efficient Building Fund dollars. The Division also supported a reduction in the upfront transfer to the EBF as well as the reduction in reserves for the On-Bill Repayment program.

Overall Budget

The Division is continuing to engage with National Grid to evaluate how the annual spending budget is developed and to gain a greater understanding of the components of the program costs. The Division desires to encourage a bottom-up budgeting process which will tend to drive the Company toward reaching its savings targets at least cost to ratepayers. Based on the discussion, the Division is working with the Company to develop more granular reporting requirements that we would propose to apply in the future. The Division continues to work with the Company, the EERMC Consulting Team, and OER over the coming weeks to define appropriate reporting requirements for National Grid and to present them prior to a hearing at the Commission in December.

The Division recognizes the significant work of all stakeholders in development of the proposed Plan and looks forward to working with all stakeholders to further benefit Rhode Island electric and gas customers.

Respectfully,

Jonathan E. Schrag
Deputy Administrator

A handwritten signature in black ink, appearing to read 'J. E. Schrag', written over a horizontal line.