nationalgrid

Andrew Marcaccio
Senior Counsel

November 12, 2021

VIA ELECTRONIC MAIL

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

RE: Docket 5189 – 2022 Annual Energy Efficiency Program Plan
<u>Responses to OER Data Requests - Set 1</u>

Dear Ms. Massaro:

On behalf of The Narragansett Electric Company d/b/a National Grid ("National Grid" or the "Company"), attached please find the electronic version of the Company's complete set of responses to the Office of Energy Resources' ("OER") First Set of Data Requests in the above referenced docket.[1]

Thank you for your attention to this filing. If you have any questions or concerns, please do not hesitate to contact me at 401-784-4263.

Sincerely,

Andrew S. Marcaccio

Enclosures

cc: Docket 5189 Service List
John Bell, Division
Margaret Hogan, Esq.
Jon Hagopian, Esq.

[1] Per the Commission's request, the Company is providing one copy of this transmittal for the Commission's file in this docket and six (6) copies, 3-hole punched for the Commission.

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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

November 12, 2021
Date

Docket No. 5189 - National Grid – 2022 Annual Energy Efficiency Program
Service list updated 10/27/2021

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OER 1-1

Request:

Please provide the statutory mandate(s) that supported National Grid's decision to use a 5% budget cap as the starting point for the development of the 2022 Annual Energy Efficiency Plan.

Response:

The Company does not believe that a statutory mandate exists that establishes a 5% budget increase cap on the Company's energy efficiency plan filings.

The Company does note that, consistent with the Least Cost Procurement ("LCP") Statute, R.I. Gen. Laws §39-1-27.7, and the LCP Standards as adopted by the Public Utilities Commission on August 25, 2020, the Company applies a prudency standard to any proposed EE budgets, and that the application of this standard must necessarily include an awareness of and sensitivity to surcharge and rate impacts resulting from proposed budget levels. See LCP Standards, Section 1.3(E)(ii), which provides that, as part of the Company's prudency review, "[t]he distribution company…shall provide bill impacts, and shall provide how these impacts were considered in the proposed investment."

In specifically applying this prudency standard in the development of the proposed 2022 Annual Energy Efficiency Plan, the Company also paid significant deference to guidance provided by the PUC in its written order (Order No. 24225), related to Docket 5076, approving the Company's 2021-2023 Three Year Plan Compliance Filing. Please see the Company's response to OER 1-2 for a more detailed discussion of the Company's application of this Order in the development of the 2022 Annual Plan.

Prepared by or under the supervision of: Christopher Porter

OER 1-2

Request:

Please provide the regulatory order/mandate(s) that supported National Grid's decision to use a 5% budget cap as the starting point for the development of the 2022 Annual Energy Efficiency Plan

Response:

In developing the 2022 Annual Plan Filing, the Company relied heavily on the PUC's Order No. 24225 in Docket 5076. The Company views the purpose of the Three Year Plan filing as providing an opportunity for the Commission to provide feedback and direction on the nature of the multi-year illustrative budgets and savings goals presented by the Company. To ignore this guidance, in the Company's view, would undermine both the purpose and value derived from the significant effort, undertaken by all parties, in the development and adjudication of the Three Year Plan.

Within the Report and Order No. 24225, the Company feels that the Commission provided clear guidance on a level of budget increase that the Commission felt would be appropriate and supportable:

> "The targeted 5% increase in budget is illustrative and non-binding. Thus, the utility may propose a budget that deviates from that 5% target. Nevertheless, the utility and stakeholders should be mindful that the bar is very high for the utility to obtain approval of a budget that is higher than the non-binding 5% target and the Commission needs to be satisfied that such an increase is in the best interest of ratepayers. In that regard, the starting point for consideration of a higher budget needs to be founded upon evidence that facts or other information presented at the time when the PUC set the target have since changed….[1]
> …. Moreover, an annual increase of 5% per year would continue a significant upward trajectory of spending that could not fairly be described by any objective standard as pulling back from this program. We just need to be mindful of the bill impacts on all ratepayers going forward who are being asked to fund a myriad of important public policy objectives in addition to energy efficiency that will continue to place cumulative upward pressure on rates."[2]

[1] See Docket No. 5076, Report and Order No. 24225, Page 47 (written order issued September 21, 2021)
[2] See Id. at Page 48

OER 1-2, page 2

Consistent with the Commission's guidance, the Company did not treat a 5% budget increase as a fixed cap on budget increase. The Company did, however, evaluate any potential increase above this level against the standard – the obligation to support the justification of a larger budget increase through 'evidence that facts or other information presented at the time when the PUC set the target have since changed' – established in the Commission's order.

Against the backdrop, the Company saw no evidence that suggested a greater increase would be supportable – specifically, that greater spending would produce sufficiently greater savings or benefits, relative to the levels for 2022 proposed, and ultimately rejected by the Commission, in the Company's Three Year Plan filing. (On the contrary, given known impacts of subsequent EM&V studies, it was apparent to the Company during the development of the 2022 plan that increased spending above the 5% increase guidance provided by the Commission would produce even lower claimable savings (and resulting benefits) than were initially suggested would be achievable in 2022 in the "High Case" scenario in the Three Year Plan filing. Given this reality, the Company saw no justification for proposing an additional increase in direct contravention of Commission guidance and direction.

Prepared by or under the supervision of: Christopher Porter

OER 1-3

Request:

For each of the programmatic areas receiving investment from the reallocation of CHP incentive dollars as part of the 2022 Energy Efficiency Provisional Plan, filed on October 8th, please describe how each is or is not in alignment with individual stakeholder priorities, as presented at the March and/or April 2021 Energy Efficiency Technical Working Group meetings and as reinforced during EERMC meetings in July and August of 2021.

Response:

The Company believes the 2022 Annual Plan, as filed, was in its entirety responsive to stakeholder priorities as identified through the planning process. These priorities, listed in the plan on Bates page 56 of the 2022 Plan, are to:

- Expand and deepen customer relationships.
- Drive adoption of comprehensive measures.
- Expand and evolve Active Demand Response.
- Achieve cost optimization and efficiency.
- Apply a pertinent equity lens across all EE program planning and delivery, with the input and guidance of the Rhode Island Equity Working Group (EWG).

Given the Company's holistic approach to addressing these priorities throughout the Annual Plan, the Company did not attempt to align the re-allocation of RI Grows incentive dollars with the specific goal of addressing stakeholder priorities identified during the planning process and addressed through other elements of the plan.

Rather, as discussed in the Company's responses to Division 2-9 through 2-14, the Company re-allocated RI Grows dollars specifically into the C&I sector of the electric portfolio. This was done with a specific eye towards maximizing additional savings and benefits where the company believed them to be achievable while also maintaining parity between customer classes served and likely to access savings and benefits through the program.

Prepared by or under the supervision of: Joshua Kessler

OER 1-4

Request:

Please provide an estimated program budget, benefit-cost ratio, and benefits calculation for 2022 that would result in energy efficiency program electric and gas savings in line with the values filed in the 2021-2023 Three-Year Plan. Please identify which programs and end-uses would be receiving additional investment relative to the 2022 Provisional Plan, and the dollar value of that additional investment, in order to reach those savings levels.

Response:

For the first part of the above request, please see EERMC 1-1 and its Attachments for this analysis. For the second part of the above request, please find this information in Attachment OER 1-4-1 (electric) and Attachment OER 1-4-2 (gas).

Table E-4
National Grid
Proposed 2022 OER 1-004 Budget Compared to Proposed 2022 Provisional Plan Budget ($000)

	2022 Proposed Budget OER 1-004	2022 Proposed Budget Provisional Plan	Difference
Non-Income Eligible Residential			
Residential New Construction	$1,529.0	$1,500.3	$28.7
ENERGY STAR® HVAC	$5,645.1	$4,862.8	$782.2
Energy*Wise*	$17,640.1	$15,663.7	$1,976.3
Energy*Wise* Multifamily	$3,649.5	$3,236.3	$413.2
ENERGY STAR® Lighting	$0.0	$0.0	$0.0
Residential Consumer Products	$3,000.0	$2,795.6	$204.4
Home Energy Reports	$2,641.3	$2,641.3	$0.0
Residential ConnectedSolutions	$2,026.1	$1,811.5	$214.6
Energy Efficiency Education Programs	$0.0	$0.0	$0.0
Residential Pilots	$0.0	$0.0	$0.0
Community Based Initiatives - Residential	$303.8	$255.1	$48.7
Comprehensive Marketing - Residential	$295.3	$247.9	$47.3
Subtotal - Non-Income Eligible Residential	**$36,730.0**	**$33,014.5**	**$3,715.5**
Income Eligible Residential			
Single Family - Income Eligible Services	$14,731.5	$13,266.5	$1,465.0
Income Eligible Multifamily	$4,641.9	$3,536.1	$1,105.7
Subtotal - Income Eligible Residential	**$19,373.4**	**$16,802.7**	**$2,570.7**
Commercial & Industrial			
Large Commercial New Construction	$14,058.6	$12,453.6	$1,605.0
Large Commercial Retrofit	$39,817.3	$30,307.4	$9,509.9
Small Business Direct Install	$10,222.1	$9,732.3	$489.8
Commercial ConnectedSolutions	$5,005.4	$4,386.6	$618.8
Community Based Initiatives - C&I	$101.2	$85.0	$16.2
Commercial Pilots	$0.0	$0.0	$0.0
Finance Costs	$2,381.7	$2,000.0	$381.7
Commercial Workforce Development	$187.6	$157.5	$30.1
Subtotal Commercial & Industrial	**$71,773.7**	**$59,122.3**	**$12,651.4**
Regulatory			
EERMC	$1,427.5	$1,274.4	$153.2
OER	$2,141.3	$1,911.5	$229.7
Rhode Island Infrastructure Bank	$5,000.0	$5,000.0	$0.0
Subtotal Regulatory	**$8,568.8**	**$8,185.9**	**$382.9**
TOTAL IMPLEMENTATION BUDGET	**$136,445.9**	**$117,125.5**	**$19,320.5**
OTHER EXPENSE ITEMS			
Commitments	$0.0	$0.0	$0.0
Company Incentive	$5,500.0	$5,500.0	$0.0
Subtotal - Other Expense Items	**$5,500.0**	**$5,500.0**	**$0.0**
TOTAL BUDGET	**$141,945.9**	**$122,625.5**	**$19,320.5**

National Grid
Proposed 2022 OER 1-004 Budget Compared to Proposed 2022 Provisional Plan Budget ($000)
Incentives by Program and End Use

	End Use	2022 Proposed Budget OER 1-004	2022 Proposed Budget OER 1-004	Difference
Non-Income Eligible Residential				
Residential New Construction	Energy Star Homes	$208.1	$208.1	$0.0
	Envelope	$492.8	$492.8	$0.0
ENERGY STAR® HVAC	HVAC	$3,813.4	$3,324.7	$488.7
EnergyWise	Behavior	$5,250.0	$4,800.0	$450.0
	Envelope	$7,749.3	$6,846.2	$903.1
	Hot Water	$21.9	$21.9	$0.0
	HVAC	$482.3	$373.2	$109.1
	Lighting	$672.0	$672.0	$0.0
	Process	$281.5	$267.2	$14.3
	Refrigeration	$56.9	$54.1	$2.9
EnergyWise Multifamily	Behavior	$2,848.7	$2,563.8	$284.9
Residential Consumer Products	Hot Water	$63.1	$63.1	$0.0
	HVAC	$41.9	$41.9	$0.0
	Process	$1,133.5	$1,133.5	$0.0
	Refrigeration	$486.2	$486.2	$0.0
Residential ConnectedSolutions	Behavior	$1,440.3	$1,044.3	$396.0
Subtotal - Non-Income Eligible Residential		**$25,041.9**	**$22,393.0**	**$2,648.9**
Income Eligible Residential				
Single Family - Income Eligible Services	Behavior	$718.7	$644.9	$73.8
	Envelope	$3,394.1	$3,045.0	$349.1
	Hot Water	$650.2	$583.1	$67.0
	HVAC	$3,969.8	$3,538.4	$431.4
	Lighting	$395.9	$395.9	$0.0
	Process	$278.3	$242.6	$35.8
	Refrigeration	$2,334.9	$2,095.2	$239.8
Income Eligible Multifamily	Behavior	$4,032.0	$3,024.0	$1,008.0
Subtotal - Income Eligible Residential		**$15,773.9**	**$13,569.1**	**$2,204.8**
Commercial & Industrial				
Large Commercial New Construction	Compressed Air	$96.0	$96.0	$0.0
	Custom Measures	$7,299.9	$6,666.1	$633.8
	Food Service	$400.0	$400.0	$0.0
	HVAC	$1,720.3	$1,617.3	$103.0
	Lighting	$995.6	$680.0	$315.6
	Motors/Drives	$69.3	$69.3	$0.0
	Refrigeration	$16.7	$16.7	$0.0
Large Commercial Retrofit	Custom Measures	$10,715.9	$7,732.2	$2,983.7
	HVAC	$1,065.4	$682.3	$383.1
	Lighting	$17,812.7	$13,006.8	$4,805.9
	Motors/Drives	$1,268.0	$1,268.0	$0.0
Small Business Direct Install	HVAC	$512.5	$512.5	$0.0
	Lighting	$7,629.5	$7,471.6	$157.9
	Refrigeration	$837.2	$704.5	$132.7
Commercial ConnectedSolutions	Behavior	$4,640.0	$4,120.0	$520.0
Subtotal Commercial & Industrial		**$55,079.0**	**$45,043.2**	**$10,035.7**
TOTAL BUDGET		**$95,894.8**	**$81,005.3**	**$14,889.5**

Table G-4
National Grid

Proposed 2022 OER 1-004 Budget Compared to Proposed 2022 Provisional Plan Budget ($000)

	2022 Proposed Budget OER 1-004	2022 Proposed Budget Provisional Plan	Difference
Non-Income Eligible Residential			
ENERGY STAR® HVAC	$4,789.4	$3,732.5	$1,056.9
EnergyWise	$10,214.9	$8,645.9	$1,569.0
EnergyWise Multifamily	$1,554.4	$1,489.2	$65.2
Home Energy Reports	$441.8	$441.8	$0.0
Residential Pilots	$0.0	$0.0	$0.0
Residential New Construction	$610.1	$513.2	$97.0
Comprehensive Marketing - Residential	$84.3	$68.0	$16.2
Community Based Initiatives - Residential	$105.3	$85.0	$20.3
Residential Workforce Development	$0.0	$0.0	$0.0
Residential Performance Incentive	$0.0	$0.0	$0.0
Subtotal - Non-Income Eligible Residential	**$17,800.2**	**$14,975.5**	**$2,824.6**
Income Eligible Residential			
Single Family - Income Eligible Services	$7,287.0	$6,371.8	$915.3
Income Eligible Multifamily	$3,993.7	$2,948.9	$1,044.8
Income Eligible Workforce Development	$0.0	$0.0	$0.0
Income Eligible Performance Incentive	$0.0	$0.0	$0.0
Subtotal - Income Eligible Residential	**$11,280.8**	**$9,320.7**	**$1,960.1**
Commercial & Industrial			
Large Commercial New Construction	$4,270.6	$3,186.6	$1,084.0
Large Commercial Retrofit	$5,769.0	$4,696.3	$1,072.7
Small Business Direct Install	$401.3	$355.9	$45.4
Commercial & Industrial Multifamily	$1,005.3	$957.3	$48.1
Commercial Pilots	$215.8	$215.8	$0.0
Finance Costs	$0.0	$0.0	$0.0
Community Based Initiatives - C&I	$35.1	$28.3	$6.8
Commercial Workforce Development	$83.6	$67.5	$16.1
Commercial & Industrial Performance Incentive	$1,700.0	$1,700.0	$0.0
Subtotal Commercial & Industrial	**$13,480.7**	**$11,207.6**	**$2,273.1**
Regulatory			
EERMC	$570.6	$487.8	$82.8
OER	$855.9	$731.7	$124.3
Subtotal Regulatory	**$1,426.6**	**$1,219.5**	**$207.1**
TOTAL BUDGET	**$43,988.2**	**$36,723.4**	**$7,264.9**

National Grid
Proposed 2022 OER 1-004 Budget Compared to Proposed 2022 Provisional Plan Budget ($000)
Incentives by Program and End Use

	End Use	2022 Proposed Budget OER 1-004	2022 Proposed Budget Provisional Plan	Difference
Non-Income Eligible Residential				
ENERGY STAR® HVAC	HVAC	$3,550.4	$2,520.5	$1,029.9
	Hot Water	$329.2	$268.4	$60.8
EnergyWise	HVAC	$302.5	$275.9	$26.6
	Hot Water	$15.5	$15.5	$0.0
	Envelope	$7,903.9	$6,731.3	$1,172.6
EnergyWise Multifamily	HVAC	$0.0	$0.0	$0.0
	Hot Water	$0.0	$0.0	$0.0
	Envelope	$0.0	$0.0	$0.0
	Behavior	$1,216.0	$1,216.0	$0.0
	Custom Measures	$0.0	$0.0	$0.0
Home Energy Reports	Behavior	$0.0	$0.0	$0.0
Residential New Construction	Energy Star Homes	$385.9	$332.2	$53.7
	Custom Measures	$0.0	$0.0	$0.0
Subtotal - Non-Income Eligible Residential		**$13,703.4**	**$11,359.8**	**$2,343.6**
Income Eligible Residential				
Single Family - Income Eligible Services	HVAC	$1,615.0	$1,400.0	$215.0
	Hot Water	$0.0	$0.0	$0.0
	Envelope	$3,993.0	$3,520.3	$472.7
	Behavior	$0.0	$0.0	$0.0
	Custom Measures	$0.0	$0.0	$0.0
Income Eligible Multifamily	HVAC	$0.0	$0.0	$0.0
	Envelope	$0.0	$0.0	$0.0
	Behavior	$3,406.0	$2,474.5	$931.5
Subtotal - Income Eligible Residential		**$9,014.0**	**$7,394.8**	**$1,619.2**
Commercial & Industrial				
Large Commercial New Construction	HVAC	$523.8	$358.3	$165.4
	Custom Measures	$778.6	$651.0	$127.6
	Hot Water	$199.6	$131.3	$68.3
	Food Service	$854.5	$455.3	$399.2
Large Commercial Retrofit	HVAC	$981.3	$489.7	$491.7
	Custom Measures	$1,734.8	$1,618.4	$116.4
	Hot Water	$9.7	$9.7	$0.0
	Behavior	$0.0	$0.0	$0.0
	Envelope	$329.6	$329.6	$0.0
Small Business Direct Install	Envelope	$294.8	$244.9	$49.9
Commercial & Industrial Multifamily	HVAC	$0.0	$0.0	$0.0
	Custom Measures	$0.0	$0.0	$0.0
	Hot Water	$0.0	$0.0	$0.0
	Behavior	$756.0	$756.0	$0.0
	Envelope	$0.0	$0.0	$0.0
Subtotal Commercial & Industrial		**$6,462.7**	**$5,044.3**	**$1,418.5**
TOTAL BUDGET		**$29,180.1**	**$23,798.8**	**$5,381.3**

OER 1-5

Request:

Please describe the rationale for allocating the full $5 million-dollar statutory allocation to the Rhode Island Infrastructure Bank (RIIB) to the electric budget only. What reasons, if any, does National Grid have for not allocating across both the electric and gas program budgets as they do with other regulatory allocations?

Response:

Since 2019, Rhode Island Infrastructure Bank funding transfers have been allocated to the electric budget[1]. This historical allocation was driven by the majority of the early RIIB allocation being used for electric energy savings, with significant investments going to municipal street lighting projects. As such, this historical allocation for the transfer of RIIB funds has been maintained in the electric budget.

For the 2022 Annual Plan, the Company saw no justification to update this method of allocation between the electric and gas budgets because the Company has been provided no information from RIIB as to how the transfer of $5,000,000 will be utilized by RIIB. The recent amendments to R.I. Gen. Laws § 39-2-1.2(i) and (j). (See 2021 R.I. Pub. Laws, Ch. 224, §2, effective July 8, 2021) state the following regarding the transfer of annual funds to RIIB:

"(n) Effective January 1, 2022, the commission shall allocate, from demand-side management gas and electric funds authorized pursuant to this section, five million dollars ($5,000,000) of such funds on an annual basis to the Rhode Island infrastructure bank. Gas and electric demand-side funds transferred to the Rhode Island Infrastructure Bank infrastructure bank pursuant to this section ***shall be eligible to be used in any energy efficiency, renewable energy, or demand-side management project financing program*** administered by the Rhode Island infrastructure bank notwithstanding any other restrictions on the use of such collections set forth in this chapter." ***Emphasis Added.***

[1] In 2016, $428,972 (23%) of the $1,870,447 transfer to RIIB was allocated to the gas budget. In 2017 and 2018, a small portion, $100,000 (2%) of the $5,000,000 transfer was allocated to the gas budget. From 2019-2021 the entirety of the transfers to RIIB were allocated to the electric budget.

Prepared by or under the supervision of: John Richards and Benjamin Rivers

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OER 1-6

Request:

The $5 million-dollar allocation to RIIB could be allocated in the following schemas:
1. All electric: $5 million from the electric budget, $0 from the gas budget
2. All gas: $5 million from the gas budget, $0 from the electric budget
3. Equally across the electric and gas budgets: $2.5 million in each budget
4. Proportionally, relative to the size of the overall electric and gas budgets: $3.5 million from the electric budget and $1.5 million from the gas budget.
   A. Did National Grid consider any other allocation schema? If so, please describe the schema and its tradeoffs.
   B. For each schema in 1-6a, and additionally for each of the four schema identified in 1-6, please provide the following:
      i) The benefits to ratepayers
      ii) The costs to ratepayers
      iii) National Grid's performance incentive earning opportunity or range of earning opportunity

Response:

A. National Grid did not consider any other allocation schema.

B. i) Please see the Company's response to OER 1-7. The projects to which RIIB would provide funding are unknown and may not be energy efficiency projects. Therefore, the Company is unable to plan for any energy saving or associated benefits to ratepayers related to the $5M allocation to RIIB, regardless of allocation schema.

   ii) For each allocation schema described in the request, the cost to electric and gas ratepayers is $5M.

   iii) The factors that would change the range of performance incentive earning opportunity are the planned performance incentive set by the PUC and the ratio of achieved net benefits from program implementation to planned net benefits. The allocation of RIIB's $5M will influence the sector-specific planned net benefits used to determine National Grid's performance incentive earning opportunity. However, a change in planned net benefits does not itself change the earning opportunity. Assuming that both the design level performance incentive pool and the achievement level (actual net benefits as a function of planned net benefits) is constant across all schema, the performance incentive's range of earning opportunity does not change.

Prepared by or under the supervision of: John Richards

OER 1-7

Request:

Are there any energy savings included in the 2022 Energy Efficiency Plan associated with the $5 million-dollar statutory allocation going to RIIB? A. If so, please indicate where in the plan filing these savings are documented and what methodology the company used to determine those savings levels. B. If not, please provide the justification, including any relevant Public Utilities Commission orders or instructions, as to why the company is not claiming savings from this allocation of ratepayer funds.

Response:

The Company has not assumed there will be any incremental savings in 2022 associated with the $5 million statutory allocation to the Rhode Island Infrastructure Bank (RIIB). This is because the Company has historically allocated $5 million per year to finance projects through the Efficient Buildings Fund (EBF). Thus, any projects funded through the EBF have already been captured in program trend data during the Company's planning process.

Furthermore, the Company does not have visibility into how or when these funds will be spent. RIIB has the option to spend the funds on projects other than energy efficiency, which will not yield EE savings.

The Company is allocating these funds on the basis of the direction provided through the recent amendments passed by the legislature and signed into law earlier in 2021.[1]

Consistent with past practice, the Company will continue to work with both RIIB and OER to identify energy efficiency projects, supported through RIIB's utilization of the Company's statutory transfer of $5 million of customer funds. To the extent that identified projects meet program requirements for realization of claimable savings, the Company will recognize expense associated with incremental incentive payments and associated savings and benefits resulting from the project at time of project completion.

[1] See 2021 R.I. Public Law 224, http://webserver.rilin.state.ri.us/PublicLaws/Law21/law21224.htm

OER 1-8

Request:

In other National Grid service territories, are system benefit charge (SBC) funds statutorily allocated to non-utility entities, such as Rhode Island’s requirement to transfer SBC funds to RIIB? A. If yes, please detail these requirements. Are those statutory allocations included in the benefit-cost calculations of the efficiency programs in those jurisdictions? Please provide the rationale for the inclusion or exclusion of statutory allocations in this assessment.

Response:

Yes, there are examples in both the Company’s New York and Massachusetts jurisdictions of mandated transfers from the Company’s customer-funded energy efficiency collections to non-utility entities.

Within New York, these transfers are not mandated by statute, but have been ordered in recent Public Service Commission rulings.

The Company’s Niagara Mohawk Electric operating company has a Systems Benefit Charge (SBC) which is currently allocated to New York State Energy Research & Development Authority’s (NYSERDA) clean energy activities and will include the Integrated Energy Data Resource (IEDR) projects effective January 1, 2022.

NYSERDA does have to comply with New York’s Public Service Commission’s BCA Framework Order set forth in 14-M-0101, however, the regulatory allocations for the SBC funds were initially set in 15-E-0751 with amended tariff leaves issued on August 13,2021.

Within Massachusetts, the recently enacted Climate Act included a provision that mandated that, collectively, the Energy Efficiency Program Administrators transfer “not less than” $12mln per year to the Massachusetts Clean Energy Center for purposes of funding statewide workforce development efforts.

Additionally, the enabling legislation in Massachusetts (the Green Communities Act) that mandates energy efficiency Program Administrator pursuit of cost effective energy efficiency resources also supports the transfer of funds collected through the Energy Efficiency Surcharge (which includes the SBC) from Program Administrators in order to coordinate with LEAN (the Low-Income Energy Affordability Network), the non-utility entity charged with the implementation of the Program Administrators’ income-eligible energy efficiency programs.

Prepared by or under the supervision of: Christopher Porter, Nicole Everson, and Steve Menges

OER 1-8, page 2

The Program Administrators also transfer EE funds to support the retention of expert consultants by the Massachusetts Energy Efficiency Advisory Council and reasonable administrative costs, in accordance with G.L. c. 25, § 22(c). The Council must annually submit to the Department a proposed budget for the "retention of expert consultants and reasonable administrative costs." G.L. c. 25, § 22(c).

Additional transfers, including allocations to the Massachusetts Department of Energy Resources, are mandated by Section 11H of Chapter 25A of the General Laws.

In Massachusetts, the costs associated with these transfers are included in the portfolio and sector level benefit cost calculations performed on the Program Administrators' energy efficiency plans (but not allocated to program specific benefit cost ratios), as these costs are considered to be a necessary component of the design and delivery of energy efficiency plans and the customer benefits that the implementation of these programs produce.

Prepared by or under the supervision of: Christopher Porter, Nicole Everson, and Steve Menges

OER 1-9

Request:

How can all stakeholders engage with the Company in ensuring the successful implementation of the recommendations put forward by the Equity Working Group and for which National Grid provided action steps in the 2022 Plan? Please detail the groups/forums for that engagement, and the proposed frequency of these or any other engagement channels which the Company deems appropriate to ensure effective implementation of the proposed recommendations, including if and when the Equity Working Group will be reconvened in 2022.

Response:

Please refer to National Grid's response in EERMC 1-26, parts g. through i., and Attachment EERMC 1-26-1.

As Equity Working Group ("EWG") co-hosts, National Grid and OER agreed that a representative from the EWG would report on recommendations to the Energy Efficiency Technical Working Group ("EETWG") quarterly, serving as the EETWG's primary resource on equity related matters. A representative from the EETWG would inform the Energy Efficiency Resource Management Council of EWG recommendations upon request. The Company will also provide updates on the implementation of the EWG enhancements in Q2 and Q4 of the Company's 2022 Annual Energy Efficiency Quarterly Reports to the Public Utilities Commission. The Company believes that these are appropriate opportunities and forums for stakeholders to learn about, and give feedback on, the implementation of the EWG recommendations.

The Company will continue quarterly EWG meetings during 2022. The Company, in conjunction with its co-host OER, will develop specific EWG timelines and agendas after the regulatory process for the 2022 EE Plan is completed.

Prepared by or under the supervision of: Amy Vavak

OER 1-10

Request:

In what ways is the Company uniquely situated to support and coordinate with other state and private agencies to optimize and adequately support the growth and development of RI's clean energy workforce? Please reference actions taken in the past 3 calendar years as well proposed activities/opportunities in 2022, as appropriate, in your response.

Response:

The Company's ability to meet ambitious energy efficiency targets depends on having a robust, highly skilled workforce. The Company is well situated to support, coordinate, and optimize the growth and development of RI's energy efficiency workforce because of the volume of work that flows through its energy efficiency programs, the relationships it has built with the contractor community over the years, and the forward-looking perspective it must take in order to meet anticipated implementation needs as programs evolve and grow.

Workforce development (WFD) activities have the potential not only to ensure a more robust, highly trained workforce but to serve as a means of engaging vendors and customers and encouraging them to adopt energy-efficient practices and participate in the programs.

For example, the Company offered new construction / net zero trainings in 2021, which helped to engage architects and design professionals. In the 2022 Plan, the Company has proposed workforce development activities that align with program objectives, particularly in areas of growth such as weatherization and HVAC and controls design, installation, and operations. More details on these activities can be found in the Plan (Bates 88 to 91).

The Company also seeks opportunities to collaborate with state agencies, educational institutions, and training entities. This is consistent with Least Cost Procurement standard, which states "The distribution company shall include wherever possible and practical partnerships with existing educational and job training entities."[1] As one example of this, in 2020, the Residential New Construction program supported a five-home development that was designed by student from the Rhode Island School of Design (RISD). Apprentice builders participated during construction, and this building has been highlighted as a national case study.

Other WFD activities described in recent quarterly/year-end reports include:

[1] State of Rhode Island Public Utility Commission. Least Cost Procurement Standards. August 2020. Pg. 10. http://www.ripuc.ri.gov/eventsactions/docket/5015-LCPStandards-Ord23890%20(8-25-20).pdf

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- **2019 –** zero energy home training, envelope and building science training, and HERS rater training
- **2020 –** WD activities included employment of apprentice builders in the construction of RI's first Passive House affordable housing development, training of CAP assessor staff, and zero-energy home training
- **2021 –** BPI Auditor & Installer program to provide equity-based training & certification to local unemployed or underemployed people, providing skills; Pre-Apprenticeship Certificate Training; and technical training at a technical career training school

It should be noted that System Benefit Charge (SBC) funds are exclusively intended to support energy efficiency and conservation and demand response, not the broader clean energy ecosystem. As such, the Company does not utilize SBC funds to support other clean energy technologies or industries, such as renewables. This type of effort would require a different source of funding and is beyond the scope of the 2022 Plan.

Prepared by or under the supervision of: Joshua Kessler

OER 1-11

Request:

Does the Company believe that energy efficiency program budgets with a fixed and/or limited year-over-year increase are appropriate or sufficient to meet mandatory Act on Climate emissions reduction targets?

Response:

The Company believes that robust, ambitious, well-funded energy efficiency programs should be a foundational element of any approach to achieving greenhouse gas emissions reduction targets. Efficiency programs can be a key source of direct emissions reductions, achieved through reducing customer energy consumption and the emissions that result from that consumption. Energy efficiency programs can also play an important indirect role in maximizing the cost efficiency of any pathway to achieving emission reductions – through reducing demand for electricity, energy efficiency programs also reduce the scale and cost of the investments that will be required to decarbonize electric supply at levels necessary to achieved mandated reductions.

With respect to the approaches that will be employed to reach the emission reduction targets captured in the recently passed Act on Climate as codified as R.I. Gen. Laws § 42-6.2-9, the Company looks forward to the development of the updated plan by the Rhode Island Executive Climate Change Coordinating Council which will "include strategies, programs and actions to meet economy-wide enforceable targets for greenhouse gas emission reductions". See R.I. Gen. Laws § 42-6.2-2(a)(2). It is unknown at this time what the holistic roadmap for achieving the economy wide emissions reductions will be and therefore the Company is not in a position to comment on the appropriateness or sufficiency of capped or limited annual increases in energy efficiency program budgets in the context of achieving mandated emissions reduction.

As noted by the Commission in its Order on Docket 5076,

> "Related to the concern of the trajectory of electric rates is another emerging policy issue. Specifically, we are at a transition point where the State of Rhode Island has formal and informal goals to move away from fossil fuels by encouraging the electrification of the transportation and heating sectors. One of the challenges to meeting this objective is the cost of electricity. As a practical matter, it will become very difficult to persuade people to convert from their fossil-fueled heating systems to heating technologies that rely upon electricity if doing so causes a substantial spike in the annual cost of heating on the family budget. Rising electricity costs make this daunting challenge even more pronounced."

Prepared by or under the supervision of: Christopher Porter

OER 1-11, page 2

The Company is sensitive to these concerns, and believes that energy efficiency budgets cannot be evaluated in isolation, but only in the context of other demands that will be placed on utility customers (and their rates) in the pursuit of mandated emission reduction targets. This analysis requires a holistic evaluation of the least cost pathways to realizing economy wide emissions reductions, and an understanding of the impact of increased energy efficiency surcharges on the achievability of these pathways.

Prepared by or under the supervision of: Christopher Porter

OER 1-12

Request:

Please describe the role that National Grid envisions energy efficiency programming having in meeting the state's Act on Climate mandates. Please specify any programmatic activities the Company could or would take to help achieve those goals that are not already included in the suite of offerings proposed for 2022.

Response:

As noted in the response to OER 1-11, the Company envisions energy efficiency programming making a significant contribution to meeting the Act on Climate's mandates. According to the Company's calculations, the 2022 programs will reduce 622,923 tons of annual GHG emissions. Sustained amounts of energy efficiency implemented over several years will have a cumulative impact on meeting the state's targets. As also noted in the Company's response to OER 1-11, any potential contributions from energy efficiency programs need to be balanced against the near-term costs and rate impacts of achieving these reductions, and the potential implications of these rate impacts on additional, necessary contributions to achieving mandated reduction targets.

The Company believes that its suite of current and proposed programs align with the Company's obligation to pursue all achievable cost effective energy efficiency resources, while remaining mindful of bill and rate impacts and attendant prudency requirements.

Absent such prudency, bill and rate impact and cost-effectiveness considerations, the Company highlights several areas where additional contributions from energy efficiency programs could potentially support mandated emissions reduction targets:

- A level of savings and spend more closely aligned with budget and savings targets for 2022 as proposed in the Three Year Plan as opposed to the lower savings and budgets proposed in this 2022 Annual Plan Filing

- A more aggressive level of support for building electrification, including both displacement of deliverable fuel heating customers beyond those supported by OER allocations of RGGI funding as well as support for gas to electric conversions by customer groups or segments willing or able to absorb likely resulting near-term increases in heating costs as a result of that transition

- Additional support for adoption of more stringent codes and standards.

Prepared by or under the supervision of: Christopher Porter