PUC 1-1

Request:

National Grid has filed a Provisional Electric EEP with ~$9 million dollars originally targeted at a CHP project now reallocated to other C&I New Construction projects and C&I Programs. Referencing National Grid's Provisional Plan and its response to PUC 2-17 (Please note that the Commission will refer to the Original Plan with the $9,154,400 CHP component removed as the "**Alternative Base Plan**") and any other information relevant to this docket, please respond to the following: With respect to the $9M of funding in the Provisional Plan that is incremental to the Alternative Base Plan, *and only those $9M dollars within the Provisional Plan*, is National Grid's proposed use of these $9M in the Provisional Plan

a. Cost effective
b. Less than the cost of supply
c. Prudent
d. Reliable
e. Environmentally responsible

For each individual response to parts a-e, please explain why or why not.

Response:

a. To answer this question, it is important to first note that it is possible to compare the net benefits of the Provisional Plan to the net benefits of other versions of the 2022 EE Plan to assess the cost-effectiveness of differences between those two plan versions. In short, the differences in the plan version with the higher net benefits can be viewed as cost-effective changes with respect to a baseline defined as the version with lower net benefits. Table 1 undertakes this comparison between the Provisional Plan and the Original Plan, as well as between the Provisional Plan and the Alternative Base Plan. The table shows the results of that comparison using the RI Test with macroeconomic development benefits ("economic benefits") as well as without.

   As is clear from the table row comparing the Provisional Plan to the Original Plan, the re-allocation of those funds from the CHP project to their proposed uses in the Provisional Plan is cost-effective using both versions of the RI Test. Comparing the Provisional Plan to the Alternative Base Plan without counting the economic benefits produced, the re-allocated funds result in a reduction in net benefits of roughly $80,000 dollars. However, when counting the economic benefits, the Provisional Plan is associated with approximately $54 million in additional net benefits compared to the Alternative Base Plan.

Responses prepared by the EERMC Consultant Team, lead author Sam Ross.

On balance across these comparisons, the re-allocation appears to be cost effective. This finding is consistent with the fact that the individual programs primarily impacted by the re-allocated funds in the Provisional Plan are cost-effective when assessed independently using either version of the RI Test, as shown in Table 2.

Further, it is worth noting that in response to Division 2-10, National Grid lists HVAC Accelerated Retirements and Heat Pumps displacing electric resistance as two of the primary areas that CHP funds are reallocated to support in the Provisional Plan. These areas both fall within the HVAC end use, which is among the end uses with the largest untapped savings opportunities identified in the EERMC's Market Potential Study[1]. Reallocating funds to incremental investment in these areas is also responsive to EERMC feedback regarding stated concerns about the CHP project, and the need for continued emphasis on C&I HVAC programs[2].

Table 1. Net Benefits of the Provisional Plan and Alternative Base Plan

Planned Net Benefits ($000)	Benefit Cost Ratio (RI Test with economic benefits)	Benefit Cost Ratio (RI Test without economic benefits)
Original Plan	$358,640	$91,379
Alternative Base Plan	$348,366	$94,927
Provisional Plan	$402,632	$94,847
Provisional - Alternative (inceremental ~$9M)	$54,267	-$80
Provisional - Original (reallocated ~$9M)	$43,993	$3,468

[1] For a breakdown of lifetime savings opportunities by end use from the Market Potential Study 'Mid' scenario, see page 18 for Residential electric, page 23 for Commercial and Industrial electric, page 29 for Residential gas, and page 32 for Commercial and Industrial gas in the report linked here: http://rieermc.ri.gov/wp-content/uploads/2020/06/ri-study-final-report-volume-i-main-report-2020-06-10.pdf

[2] See pages 5-6 of the 2022 Energy Efficiency Plan Final Draft Review dated September 14th, 2021: http://rieermc.ri.gov/wp-content/uploads/2021/09/c-team-2022-ee-plan-final-draft-review_2021.09.14.pdf

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Table 2. Provisional Plan BCRs for Programs Impacted by Reallocation

Program	Benefit Cost Ratio (RI Test with economic benefits)	Benefit Cost Ratio (RI Test without economic benefits)
Large Commercial New Construction	6.73	2.90
Large Commercial Retrofit	6.22	1.94
Small Business Direct Install	2.75	1.12

b. Per the EERMC's Cost-Effectiveness Report[3], the EERMC assesses the cost of supply at the portfolio level separately for gas and electric efficiency. In addition, this is the level of granularity provided by National Grid in the 2022 EE Plan. As noted in National Grid's Pre-Filed Testimony dated October 1, 2021:

> "…the portfolio level is appropriate to assess the cost of energy efficiency compared to additional supply because of the aggregate impact generated by the set of measures and programs included within the portfolios. A single measure may not be cost effective or less than the cost of additional supply when viewed on its own, however, as part of a program and portfolio it may play a key role in serving a particular market segment, driving savings and further opportunities for customers to manage their energy use."

The EERMC's approach in the Cost-Effectiveness Report is consistent with National Grid's Pre-Filed testimony. Nevertheless, in the interest of attempting to be responsive to this data request, it is possible to estimate a proxy for the cost of additional electric supply that would be required to meet the same need as the electric savings generated from the ~$9M of reallocated dollars in the Provisional Plan by applying an estimate for the average avoided cost of electric supply per net lifetime MWh of electric savings. Using the electric portfolio data from the Original Plan, this rough methodology indicates that the total cost of electric supply that would be needed in lieu of the program activity associated with the ~$9M of reallocated dollars would be ~$10.7M, or about $1.5M greater than the cost of the associated efficiency program activity. Though this estimate suggests the reallocated funds

[3] The Cost-Effectiveness Report can be found here: http://www.ripuc.ri.gov/eventsactions/docket/C%20Team%20Cost-Effectiveness%20Report%202022%20EEP%20%20%2010.15.2021.pdf

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produces savings at lower cost than procuring equivalent supply, the EERMC does not take the position that comparing subsets of a portfolio to estimated avoided costs of supply should be considered in lieu of, or in addition to, the established practice of comparing efficiency programs to the cost of supply at the portfolio level.

c. The EERMC takes all aspects of Least Cost Procurement (LCP) Legislation[4] and the associated LCP Standards[5] into account throughout planning, during deliberations prior to a vote to endorse or not endorse an efficiency plan, and during implementation oversight. Per the LCP Standards, the EERMC understands its formal responsibilities regarding assessment of individual Annual Energy Efficiency Plans (Annual EE Plan or EE Plan) to consist of the following[6]:

> "F. The Council shall vote whether to endorse the Annual EE Plan prior to the prescribed filing date. If the Council does not endorse the Annual EE Plan, the Council shall document its reasons and submit comments on the Annual EE Plan to the PUC for its consideration in final review of the Annual EE Plan.
> G. The Council shall prepare memos on its assessment of the cost effectiveness of the EE Plans, pursuant to R.I. Gen. Laws §39-1-27.7(c)(5), and submit them to the PUC no later than three weeks following the filing of the respective EE Plans with the PUC, or in accordance with the procedural schedule set in the applicable docket."

Other than the findings with respect to cost-effectiveness and comparison to the cost of supply contained in the Cost-Effectiveness Report, the EERMC has not issued separate findings regarding (non)compliance with individual elements of the LCP Standards, such as prudency, reliability, and environmental responsibility. These issues have been considered holistically during planning, implementation oversight, and vote deliberations in recognition of the inherent interdependence of various individual elements of the LCP Standards both amongst themselves and with respect to state energy policy priorities and EERMC energy efficiency priorities.

[4] R.I. Gen. Laws § 39-1-27.7: http://webserver.rilin.state.ri.us/Statutes/TITLE39/39-1/39-1-27.7.HTM
[5] LCP Standards can be found here: http://www.ripuc.ri.gov/eventsactions/docket/5015_LCP_Standards_05_28_2020_8.21.2020%20Clean%20Copy%20FINAL.pdf
[6] See parts 6.2.F and 6.3.G of the LCP Standards: http://www.ripuc.ri.gov/eventsactions/docket/5015_LCP_Standards_05_28_2020_8.21.2020%20Clean%20Copy%20FINAL.pdf

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Further, the EERMC has not had the opportunity to convene in the time between the issuance of this data request and the deadline for responses. Consequently, the EERMC has not had the opportunity to consider whether to issue further findings in this Docket, including whether to do so with respect to additional specific elements of the standards in isolation, which as noted would be a departure from past practice. The question of whether to issue further findings, as well as the substantive nature of any such finding, would most appropriately be discussed in a public EERMC meeting and be subject to a Council vote.

d. See response to PUC 1-1 c.

e. See response to PUC 1-1 c.

Responses prepared by the EERMC Consultant Team, lead author Sam Ross.

PUC 3-2

Request:

Given your response to PUC 1-1, is National Grid's entire Provisional Electric EEP on a whole, *including the $9M reallocation*, prudent? Why or why not?

Response:

The EERMC's vote on September 23, 2021 to not endorse the proposed 2022 Energy Efficiency Plan related solely to the Original Plan, which was the version reviewed and assessed by the Council leading up to that vote. The outcome of that vote and associated reasons are summarized in a report from the EERMC to the PUC[7]. The EERMC has not formally considered any other plan versions, including the Provisional Electric EEP (or the Provisional Plan in its entirety) and so is unable to offer a finding with respect to the prudency thereof. See also the response to PUC 1-1 c. and PUC 3-3 a. for other relevant considerations.

[7] The vote Summary Report can be found here: http://www.ripuc.ri.gov/eventsactions/docket/EERMC%202022%20EE%20Plan%20Vote%20%20Summary%20of%20Reasons%20%2010.15.2021.pdf

Responses prepared by the EERMC Consultant Team, lead author Sam Ross.

PUC 3-3

Request:

Given your responses to PUC 1-1 and 1-2 and National Grid's response to PUC 2-17 illustrating their calculations of the differences in costs and benefits of the Provisional Plan and Alternative Base Plan, please answer the following:

a. Comparing the program expenses and benefits from the Provisional Plan and the Alternative Base Plan, please indicate which plan you recommend that the PUC approve for the 2022 Annual Plan.
b. Please explain the reasons for your recommendation.

Response:

a. As noted in the response to PUC 1-1 c., the EERMC has not had the opportunity to convene in the time between the issuance of this data request and the deadline for responses. Consequently, the EERMC has not had the opportunity for discussion to compare these two plan versions. Further, should the EERMC take up the question of a further recommendation to the PUC regarding any specific set(s) of plan versions, it remains an open question whether any such set would include any version that the EERMC would choose to recommend for approval.

   Further, it is worth noting that in its consideration of the Original Plan filed on October 1st, 2021, the EERMC chose to vote to not endorse the plan and provide reasons why, rather than to provide conditions under which their non-endorsement would have been (or would become) an endorsement of the Initial Plan, though the latter option was available to the EERMC. Consequently, the EERMC has not taken a position to date with respect to whether it would recommend approving any modified version of the Original Plan, such as the Provisional Plan or Alternative Base Plan.

b. See response to PUC 3-3 a.

Responses prepared by the EERMC Consultant Team, lead author Sam Ross.

PUC 3-4

Request:

Referencing National Grid's response to PUC 2-18, please answer the following:

a. Is it the view of the EERMC that the implementation of the 2022 Annual Energy Efficiency Plan would be impacted if the design payout rates were the same as in 2021? (Please answer yes or no.)
b. If the answer to (a) is yes, please explain in detail how the implementation of the 2022 Annual Energy Efficiency Plan would be impacted if the design payout rates were the same as in 2021.
c. If the answer to (a) is yes, Please provide the design payout rates and total design level potential incentive and maximum potential incentive that you would recommend that the PUC approve for the 2022 Annual Plan. Please explain how you arrived at the recommended design payout rates and total design level potential incentive and maximum potential incentive.

Response:

a. No. In a narrow interpretation, the specific dollar value of a performance incentive opportunity should not impact the implementation of a portfolio of programs that have already been designed and submitted for approval, since if approved, National Grid would be obligated to implement that plan. This is part of the reason that the EERMC's main concerns raised during the development of the current performance incentive mechanism related to potential longer-term impacts, such as during the development of EE Plans, rather than during implementation. However, the EERMC does not speak for National Grid, nor have a full understanding of how National Grid would respond to various changes to the proposed performance incentive mechanism either in the short or long term. It seems plausible that significant shifts in available performance incentive may have longer term implications that are important to consider, such as with respect to the internal resource allocation decisions of National Grid. This is consistent with the response to Acadia 1-6, in which National Grid notes that in general terms, performance incentives do influence "Company focus, management attention and resource allocation".

To put the above discussion in context, it is important to point out that changing the payout rate after an EE Plan with known budget and planned eligible net benefits has been

submitted for approval amounts to changing the design pool incentive opportunity available in each sector. The response to PUC 2-18 shows the calculation of the design pool that would be available in each sector based on the 2021 design payout rates as applied to the Provisional Plan performance incentive mechanism. Utilizing the 2021 design payout rates for the Provisional Plan would result in a net reduction in total performance incentive opportunity. In the Commercial and Industrial sectors for gas and electric, the only sectors for which there are positive Planned Eligible Net Benefits, the application of the 2021 payout rates approximately halve the earned performance incentive if the Provisional Plan is implemented as designed ($3.5 vs. $7.2 million).

b. Not applicable due to response to PUC 3-4 a.

c. Not applicable due to response to PUC 3-4 a.

Responses prepared by the EERMC Consultant Team, lead author Sam Ross.

PUC 3-5

Request:

Referring to the proposed increase in allocation to the EERMC in both the Provisional and Alternative Base Plans, the PUC is interested in knowing if the EERMC needs the additional funds. Pease answer the following:

a. Does the EERMC need the additional funds? If so, please explain the reasons and provide an estimate of the expenses to be incurred in 2022.
b. Please provide a breakdown of the EERMC's expenses incurred in 2020.
c. Please provide a breakdown of the EERMC's expenses incurred in 2021, including an estimate of the remaining expenses for 2021.

Response:

a. As represented by National Grid in its response to Division 3-14, the EERMC understands "the proposed allocation of the full three percent (3%) of the demand-side electric and gas funds to the Regulatory allocation to be consistent with the legislative intent of the recent amendments to R.I. Gen. Laws § 39-2-1.2(i) and (j)." These amendments were widely supported by the General Assembly, stakeholders, and state agencies.

The EERMC intends to continue its long-standing responsible stewardship of ratepayer funds in 2022 and beyond. For the past several program years, the EERMC has allocated all or nearly all of the funding available to it, with the exception of seeking to maintain a portion of unallocated funds to account for future unanticipated expenses, which are periodically drawn upon to support initiatives consistent with the Council's statutory authority.

The EERMC is currently in the process of developing its budget for 2022, which is planned for discussion and likely vote at the December 9th EERMC meeting. An initial, high-level draft budget is available in the public record from the EERMC's November 18, 2021 meeting[8]. This draft budget was provided by OER to the EERMC as a first-look at *potential* revenue and expenses, and to give Council members an early opportunity to consider other potential initiatives (and associated expenses) it may wish to pursue in 2022. Any initiatives that the Council may ultimately choose to fund through its budget in 2022 will be done pursuant to its statutory authority.

[8] The draft 2022 EERMC budget can be found here: http://rieermc.ri.gov/wp-content/uploads/2021/11/2022-eermc-budget_draft.pdf

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b. The Executive Director of the EERMC, a position held by the Rhode Island Office of Energy Resources, is responsible for maintaining current and historical records of the EERMC's expenses incurred. The meeting materials for the December 2020 EERMC meeting are part of the public record. The proposed 2021 budget was presented and discussed, which included 2020 actuals through the 15th of December, 2020[9]. Between that meeting date and the end of the year, the balance of unspent funds was transferred from main account to the EERMC client fund, resulting in a $0 balance in the main account at the end of 2020.

c. See the draft 2022 EERMC budget linked to within the response to PUC 3-5 a.

[9] The proposed 2021 budget can be found here: http://rieermc.ri.gov/wp-content/uploads/2020/12/2021-budget_draft_final-1.pdf

Responses prepared by the EERMC Consultant Team, lead author Sam Ross.