

P R E N T I S S
L · A · W · F · I · R · M

R. DANIEL PRENTISS
dan@prentisslaw.com

February 11, 2010

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

RE: Docket No. 4116 – National Grid Re-Filed Energy Efficiency Program Plan for 2010

Dear Ms. Massaro,

This letter conveys the support of the Energy Efficiency and Resource Management Council (“EERMC” or “The Council”) for National Grid’s Energy Efficiency Program Plan for 2010 as re-filed with the Commission on February 8, 2010.

On Dec 11, 2009, the EERMC filed a letter of support for the original 2010 Energy Efficiency Plan filed with the Commission on November 2, 2009. National Grid’s re-filed Plan proposes to attain (should available RGGI funding be secured by the Company) approximately 96% of the original 2010 Plan savings goals without an increase in the per kilowatt hour charge. The EERMC commends National Grid on the extensive effort it has made to revise its filing and design an approach that can effectively use the so-called RGGI 40% funds while meeting the criteria set for the use of those funds by the Office of Energy Resources.

In our judgment the National Grid filing proposes to implement its programs in a way that provides for effective ramp-up of its energy efficiency procurement consistent with the three year Least Cost Procurement Plan approved by the PUC by Written Order on April 17, 2009. It does so while maintaining a reasonable balance of services across customer classes, preserving continuity of program effort, continuing with the work of developing new procurement strategies through carefully selected pilot projects, and saving customers tens of millions of dollars.

In its original letter of support, the Council noted that the National Grid filing was a settlement document setting forth the proposed terms of the Electric Demand-Side Management Programs for 2010 entered into by The Narragansett Electric Company,

d/b/a National Grid (“Company”), the Division of Public Utilities and Carriers, The Energy Council of Rhode Island, the Energy Consumers Alliance of New England d/b/a People’s Power and Light, and Environment Northeast (ENE) (together, the “Parties”).

The Council stated that it was pleased that these participants in the Collaborative Subcommittee of the EERMC had worked together with National Grid and the Council’s Consulting Team to develop an Energy Efficiency Program Plan for least cost procurement in 2010 that is consistent with R.I.G.L. 39-1-27.7 (the Least Cost Procurement provisions of the Comprehensive Energy Conservation, Efficiency, and Affordability Act of 2006), R.I.G.L. 39-2.1-2(b), and the Rhode Island Public Utilities Commission’s “Standards for Energy Efficiency and Conservation Procurement” approved in Order 19344 in Docket 3931 on July 17, 2008.

The EERMC believed that the filing by National Grid of this second annual EE Program Plan represented a significant step toward accomplishing the State policy of “Least Cost Procurement” – to invest in all energy efficiency resources that are lower cost than supply –enunciated in the Comprehensive Energy Conservation, Efficiency and Affordability Act of 2006. We indicated that National Grid was on target to meet its savings goals for efficiency program implementation in 2009 which represented a significant increase in effort and customer savings from the levels of 2008 program activity. The Goals and Budget for 2010 represented a comparable level of increase for 2010.

Thus we believed that the November filing was fully consistent with the three-year Energy Efficiency Procurement Plan (“EE Procurement Plan”) submitted by National Grid on September 2, 2008 with approval and support of the EERMC, the Office of Energy Resources, the Division of Public Utilities and Carriers, Environment Northeast, and TEC-RI and approved by the Public Utility Commission in Written Order on April 17, 2009.

The efficiency programs for 2010 were projected to secure total annual MWh savings of 89,637 at a levelized cost per kWh saved of 4.1 cents, as opposed to a 9.2 cent cost for conventional electric supply. The acquisition of this 4.1 cent efficiency resource is also much lower cost than any other clean resource that we know of including utility-scale renewable energy. This increase in efficiency investment would have moved Rhode Island to a level of least cost procurement closer to acquiring all energy efficiency resources that are lower cost than supply, which represents Rhode Island’s state energy policy. The proposed portfolio of programs was expected to have a benefit/cost ratio of 3.67, which means that approximately \$3.67 in benefits was expected to be created for each \$1 invested in the programs and net economic benefits of roughly \$90 million for customers.

The EERMC encouraged the PUC to approve the 2010 Energy Efficiency Program Plan, and pledged that it would continue to work with National Grid, the Collaborative Subcommittee, the Division, TEC-RI, People’s Power and Light, and other parties to ensure that the three-year Energy Efficiency Procurement Plan and the underlying objectives of the 2006 Act are fully implemented.

In an Order issued by the PUC in Open Meeting on December 23, 2009, and as a Written Order on February 3, 2010, the PUC denied the Plan as submitted. It Ordered National Grid to re-submit the Plan on February 1, 2010 (a one-week extension was subsequently granted).

The apparent focus of the Order was to hold the per-kilowatt hour charge at the rate of \$0.0032 for funding Least Cost Procurement activities. In its Order, the PUC indicated that according to evidence it had received, approximately \$6.4 million dollars of Regional Greenhouse Gas Initiative (“RGGI”) funds were available to the state, and approximately \$28.1 in energy-related funds were available from the American Recovery and Reinvestment Act of 2009 (“ARRA”).

The indication from the PUC was that it did not consider the requested \$0.0006 per-kilowatt hour increase in funding necessary to attain the savings goals of the 2010 Plan.

The EERMC has discussed the issues raised by the PUC Order in its January 19 meeting, and urged its Consultant Team and all parties in the Collaborative Subcommittee to work as swiftly and constructively as possible to prepare an acceptable revised Plan.

Extensive work was conducted over the past several weeks by National Grid, in partnership with the Collaborative Subcommittee, and the EERMC Consultant Team resulting in an excellent re-filed EE Program Plan for 2010 that we urge the Commission to approve for the benefit of Rhode Island consumers.

The EERMC is pleased that if all proceeds are secured as anticipated, progress toward full Least Cost Procurement in Rhode Island will proceed as planned. It is of course, a positive thing that this may be accomplished without an increase in 2010 to the per-kilowatt hour charge.

Separately, the EERMC does, however, wish to emphasize that looking forward to 2011, absent dramatic and unanticipated new sources of revenue for Least Cost Procurement, it will be much more difficult to meet the three-year Procurement Plan savings goals while maintaining the current per-kilowatt hour collection for DSM investments for several reasons.

First, the budget in 2011 is projected to increase by approximately \$9 million dollars over the spending level for 2010 in order to achieve unprecedented net economic benefits for customers of roughly \$110 million and to comply with the Comprehensive Energy Conservation, Efficiency, and Affordability’s Act of 2006 requirement to procure all electric efficiency resources that are lower cost than supply.

Second, the RGGI funds that potentially enable National Grid to “fill the gap” in 2010, represent two full years of income from RGGI auctions (2009 and 2010 proceeds). That two-year level of funding will not be available in 2011, so potentially available RGGI funds are likely to be 50% lower in 2011 than they are for 2010.

Third, while certain portions of ARRA funds may be available to supplement program activities in 2010, these funds are subject to a competitive solicitation process. It is not prudent for National Grid to build a budget in 2010 that is based on the unknown outcome of such a competitive process. It is even less clear that such funds would be available in 2011. The EERMC also notes that some of those funds may also be directed to energy efforts such as renewable energy and unregulated fossil fuel efficiency, including increased low income weatherization that would not be able to be used toward attaining Least Cost Procurement goals and savings for electricity required by Rhode Island law.

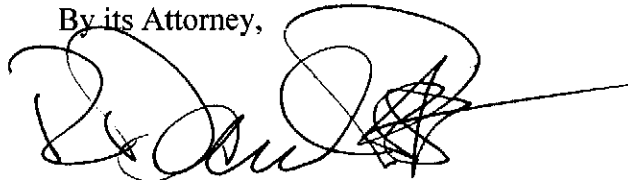
In terms of the 2010 re-filed program plan before you, the EERMC expects that National Grid is now, and will continue to proceed in good faith to implement its 2010 programs according to the re-filed Plan, and we encourage the Commission to issue an Order approving the re-filed submission you requested as soon as possible so that National Grid can have clear guidance and can continue to proceed aggressively to save consumers money through investment in electric efficiency that are lower cost than supply.

Thank you for your consideration of this matter.

Respectfully Submitted,

**The Rhode Island Energy Efficiency &
Resources Management Council,**

By its Attorney,

A handwritten signature in black ink, appearing to read 'R. Daniel Prentiss', with a long horizontal line extending to the right.

R. Daniel Prentiss

Cc: Service List
Enclosures
874/92/5937