

December 16, 2010

From: Amy K. D'Alessandro, Esq.

To: Docket 4209 Service List

Re: Docket 4209- Energy Efficiency Program Plan for 2011 Settlement of the Parties

National Grid has submitted its Energy Efficiency Program Plan for 2011 - Settlement of the Parties ("the Plan") in accordance with RIGL § 39-1-27.7, § 39-2-1.2 and the Commission's Standards for Energy Efficiency and Conservation Procurement ("the Standards") approved in Order No. 19344 (Docket 3931).¹ In order to render a decision in Docket 4209, the Commission must decide the following issues.

In reviewing the Plan submitted by National Grid and the Parties, the Commission is guided by two recently enacted legislative mandates codified at R.I.G.L. 39-1-27.2 which require the Commission 1) to approve "all energy efficiency measures that are cost effective and lower cost than acquisition of additional supply" and 2) to "approve a fully reconciling funding mechanism to fund investments in all efficiency measures that are cost effective and lower cost than acquisition of additional supply".² Consistent with this statute, the Commission must decide whether the energy efficiency measures and the fully reconciling funding mechanism proposed in the Plan are cost effective and lower cost than acquisition of additional supply. If the Commission finds that these efficiency measures are cost effective and lower cost than acquisition of additional supply, the Commission must approve the Plan and the fully reconciling funding mechanisms proposed in the Plan.

The Commission's review of the Plan, however, does not end with a determination of whether the energy efficiency measures are cost effective and lower cost than acquisition of additional supply. As conceded by National Grid, in reviewing the Plan, the Commission is guided by another statute which places a cap on the gas charge allowed for energy efficiency programs at \$0.15/dkthm.³ This cap appears to be in direct conflict with the previously referenced R.I.G.L. § 39-1-27.7(c)(5). If the Commission finds the energy efficiency measures cost effective and approves the Plan and fully reconciling funding mechanisms proposed therein in accordance with § 39-1-27.7(c)(5), it approves a charge of \$ 0.411 per dekatherm for gas efficiency programs which amount exceeds the statutory limit prescribed in R.I.G.L. § 39-2-1.2(f).

¹ The Plan under consideration in this Docket is a settlement reached by and among a collaboration of interested parties, namely the EERMC, the OER, ENE, the Division and TEC-RI ("the Parties"). The Commission's review of settlement agreements is governed by Rule 1.24 of the Commission Rules of Practice and Procedure.

² R.I.G.L. 39-1-27.7(c)(5).

³ R.I.G.L. 39-2-1.2(f). Energy Efficiency Program Plan for 2011 Settlement of the Parties, p.1.

The Commission must also decide whether the Plan is consistent with the Standards for Energy Efficiency and Conservation Procurement (“the Standards”) approved in Commission Order No. 19344 (Docket 3931).⁴ Among the Standards approved in this Order were standards for funding energy efficiency programs. The Standards established a priority of funding sources for energy efficiency with distribution rates designated as a funding source of last resort, to be relied upon after other sources, such as RGGI proceeds, are expended.⁵ Consistent with these Standards, the Commission must decide whether the Plan proposed by the parties utilizes distribution rates as a last resort funding source, to be relied upon after the existing system benefits charge, forward capacity market revenues, RGGI proceeds and federal funds.

In order to facilitate the task of reconciling R.I.G.L. § 39-1-27.7(c)(5) and § 39-2-1.2(f), and to ensure compliance with the priority of energy efficiency funding approved in Docket 3931, the Commission has asked the parties to submit a brief by 4:00 Monday, December 20 responding in detail to the following questions:

1. Please state whether the fully reconciling funding mechanism for gas energy efficiency proposed in the Plan complies with R.I.G.L. § 39-2-1.2(f). Please include detailed reasons in support of your response.

2. (To National Grid.) In light of your responses to data requests concerning the difficulty in receiving RGGI funds, please explain whether National Grid can assure that in carrying out the Plan, it will rely on distributions rates after RGGI proceeds to fund the energy efficiency programs proposed in the Plan, consistent with the Standards approved in Docket 3931.

⁴ Energy Efficiency Program Plan for 2011 Settlement of the Parties, p.1.

⁵ Commission Order No. 19344, Docket 3931, Appendix A, Section 1.2(A)(4)(a)(v), p. 14.