

May 21, 2014

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**Re: Docket 4443 - Electric and Natural Gas Least Cost Procurement Efficiency
Savings Targets for Years 2015-2017
Responses to PUC Data Requests – Set 2**

Dear Ms. Massaro:

On behalf of National Grid¹ I have enclosed the Company's responses to the second set of data requests issued by the Public Utilities Commission ("PUC") on May 20, 2014 in the above-referenced proceeding.

Thank you for your attention to this transmittal. If you have any questions, please contact me at (401) 784-7288.

Very truly yours,



Jennifer Brooks Hutchinson

Enclosures

cc: Docket 4443 Service List
Leo Wold, Esq.
Steve Scialabba, Division

¹ The Narragansett Electric Company d/b/a National Grid ("National Grid" or "Company").

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate were electronically transmitted to the individuals listed below. Paper copies of this filing were hand delivered to the Rhode Island Public Utilities Commission and the RI Division of Public Utilities and Carriers.



Joanne M. Scanlon

May 16, 2014
Date

**Docket No. 4443 – RI Energy Efficiency and Resource Management Council
("EERMC") – Energy Savings Target for Period 2015 - 2017
Service List updated on 5/2/14**

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The Narragansett Electric Company

d/b/a National Grid

R.I.P.U.C. Docket No. 4443

In Re: RI Energy Efficiency and Resource Management Council's
2013 Electric and Natural Gas Energy Efficiency Savings Targets (2015-2017)

Responses to the Commission's First Set of Data Requests

Issued on May 20, 2014

PUC 2-1

Request:

In Massachusetts, has the Company ever deviated from the MA DPU's standard for determining discount rate? If yes, why?

Response:

To the best of the Company's knowledge, since the Massachusetts Department of Public Utilities issued its guidelines in Docket DPU 08-50-B for the calculation of the discount rate, which is referenced in the Company's response to PUC 1-1, National Grid's Massachusetts affiliate has not deviated from those guidelines in calculating the discount rate for its Massachusetts Total Resource Cost Test.

The Narragansett Electric Company

d/b/a National Grid

R.I.P.U.C. Docket No. 4443

In Re: RI Energy Efficiency and Resource Management Council's
2013 Electric and Natural Gas Energy Efficiency Savings Targets (2015-2017)

Responses to the Commission's First Set of Data Requests

Issued on May 20, 2014

PUC 2-2

Request:

Is the Company amenable to establishing a standard methodology for determining the discount rate to be used in the TRC test and including that methodology in the EE Procurement Standards? If yes, define the specific methodology that would be included in the Standards.

Response:

Subject to the input of the EERMC in this docket, the Company is amenable to establishing a standard methodology for determining the discount rate to be used in the Total Resource Cost Test in Rhode Island that appropriately reflects the risks and rewards of the investment of customer funds in energy efficiency; in other words, a low-risk discount rate which would indicate that energy efficiency is a low-risk resource. The Standards could also say that energy efficiency is low-risk in terms of cost of capital risk, project risk, and portfolio risk. The Company would further recommend that the standard require that the discount rate be reviewed and updated for each annual plan, as appropriate, to ensure that the applied discount rate is based on the most recent information available.

The Company is reluctant to prescribe a specific methodology that would be included in the Standards. The Company acknowledges that the specific methodology could be similar to the Massachusetts guidelines (which specify a 12-month average of 10-year Treasury Bills). The Company further acknowledges that it has been comfortable applying that methodology in Rhode Island. However, a methodology consistent with this standard does not necessarily need to be as prescriptive as the Massachusetts guidelines because there might be a better indication of the risk benefits of energy efficiency.