

October 17, 2017

BY HAND DELIVERY AND ELECTRONIC MAIL

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

**RE: Docket 4684 – The Narragansett Electric Company, d/b/a National Grid
2018-2020 Energy Efficiency and System Reliability Procurement Plan
Responses to PUC Data Requests – Set 3**

Dear Ms. Massaro:

I have enclosed ten (10) copies of National Grid's¹ responses to the Public Utilities Commission's third set of data requests in the above-referenced docket.

Thank you for your attention to this filing. If you have any questions, please contact me at 781-907-2121.

Sincerely,



Raquel J. Webster

Enclosures

cc: Docket 4684 Service List
Jon Hagopian, Esq.
Steve Scialabba, Division

¹ The Narragansett Electric Company d/b/a National Grid.

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

October 17, 2017

Date

**Docket No. 4684 – RI Energy Efficiency Resource Mgmt. Council (EERMC)
Energy Efficiency Savings Targets, 2018-2020**

Service list updated 9/18/17

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PUC 3-1

Request:

For the Three-Year plan, what is the impact of the \$12.5 million transfer from the 2018 Energy Efficiency Budget to the State General Fund on customer rates? Please explain the calculation.

Response:

The impact of the \$12.5 million transfer is a rate increase of \$0.0017 per kWh to all customers.

The Proposed 2018 Energy Efficiency Program charge per kWh with the \$12.5 million transfer is \$0.01090, as shown on line 17 on page 68 of Attachment 1. When the \$12.5 million is removed from the total funding required for 2018, the resulting Energy Efficiency Program charge per kWh is \$0.0092 per kWh for all customers. The difference between the two is \$0.0017 per kWh.

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PUC 3-2

Request:

2017- H 5175 Sub Aaa, Budget Article I Sub Aaa, Section 17 states:

[T]he Electric and Gas Distribution Company shall transfer to the State Controller the sum of twelve million and five hundred thousand dollars (\$12,500,000) by June 30, 2018 from the Public Utilities Commission approved 2018 System Reliability and Energy Efficiency and Conservation Procurement Programmatic Budget Plan. The 2018 program year plans total budget shall not exceed the commission-approved total budget for the 2017 system reliability and energy efficiency and conservation procurement program plan.

- a) What was the 2017 total commission-approved budget for electric?
- b) What was the 2017 total commission-approved budget for gas?
- c) What is the Company's estimate for the 2018 budget for electric?
- d) What is the Company's estimate for the 2018 budget for gas?
- e) If the \$12.5 million was spent instead on energy efficiency measures rather than being transferred to the State General Fund, what benefits would it have created?
- f) For the 2018 Annual Plan, what is the impact of the budget cap? Please include the impact on budget savings and benefits.

Response:

- a) The 2017 total Commission-approved budget for electric was \$94,568,586, as shown on line 1 of Table E-1 Attachment 5 of the Energy Efficiency Program Plan for 2017 (Docket No. 4654).
- b) The 2017 total Commission-approved budget for gas was \$29,747,068, as shown on line 1 of Table G-1 Attachment 6 of the Energy Efficiency Program Plan for 2017 (Docket No. 4654).
- c) The Company's estimate for the 2018 budget for electric as included in the Three-Year Plan is \$103,047,860. This is the total of line 6 added to line 7 in Attachment 1 of the Three-Year Plan, p. 68.
- d) The Company's estimate for the 2018 budget for gas as included in the Three-Year Plan is \$29,399,869. This is the total of line 6 added to line 7 in Attachment 1, p. 69).

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- e) \$12.5 million in electric energy efficiency measures is equivalent to an estimated 23,396 Annual MWh of savings, 222,568 lifetime MWh of savings, and \$48 million in lifetime benefits. The equivalent benefits to the Rhode Island economy is \$8 million to the State Gross Domestic Product (GDP) and the creation of 118 job-years of employment.
- f) The Company will address the budget cap in the 2018 Annual Plan filing.

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PUC 3-3

Request:

The total commission-approved budget for the electric 2017 System Reliability and Energy Efficiency Plan was \$94,568,586. If the \$12.5 million transfer is required to be treated as an administrative expense in 2018, please explain how this would impact the benefit-cost analyses.

Response:

RI H5175, "Relating To Making Appropriations For The Support Of The State For The Fiscal Year Ending June 30, 2018" includes the following language pertaining to the state budget for fiscal year 2018 on page 36:

"SECTION 17. Notwithstanding any provisions of Chapter 2 in Title 39 of the Rhode Island General Laws, the Electric and Gas Distribution Company shall transfer to the State Controller the sum of twelve million and five hundred thousand dollars (\$12,500,000) by June 30, 2018 from the Public Utilities Commission approved 2018 System Reliability and Energy Efficiency and Conservation Procurement Programmatic Budget Plan."

The law states that the Company shall transfer the sum from the approved plan. It does not require the transfer to be an administrative expense. Energy Efficiency has definitions of costs that guide the development of the Three-Year Plan and the forthcoming Annual Plans.

The benefit-cost analyses is not affected by the transfer because it does not meet the definition of costs as described in Attachment 4 of the 2017 EE Plan, which was derived from the requirements of Least Cost Procurement in R.I. Gen. Laws § 39-1-27.7(a)(2) and (c)5. Specifically, the transfer does not contribute to the implementation of energy efficiency measures and programs nor does it represent the customer's contribution to the installation cost of energy efficiency measures.

PUC 3-4

Request:

If the Company is interpreting 2017 – H 5175 Sub Aaa, Budget Article I Sub Aaa, Section 17 to mean that the \$12.5 million is not counted toward the 2018 Energy Efficiency budget cap, please explain the legal interpretation (this is a legal question).

Response:

RI H 5175 Sub Aaa, Budget Article I Sub Aaa, Section 17 states the following (with emphasis added):

“SECTION 17. Notwithstanding any provisions of Chapter 2 in Title 39 of the Rhode Island General Laws, the Electric and Gas Distribution Company shall transfer to the State Controller the sum of twelve million and five hundred thousand dollars (\$12,500,000) by June 30, 2018 from the Public Utilities Commission approved 2018 System Reliability and Energy Efficiency and Conservation Procurement Programmatic Budget Plan. The 2018 program year plans total budget shall not exceed the commission-approved total budget for the 2017 system reliability and energy efficiency and conservation procurement program plan.”

Emphasis has been added to the law to underline the Company's interpretation, namely:

- The Company shall transfer the sum from the approved Plan.
- The total budget shall not exceed the total budget for 2017.

The Plan and Budget cover the following:

- Plan – the all-encompassing costs and funding sources that feed into the calculation of the EE Program charge. In the 2017 EE Annual Plan (Docket No. 4654), this is the ‘Electric DSM Funding Sources in 2017 by Sector in Attachment 5, Table E-1.
- Budget – the projection of costs to achieve cost-effective energy efficiency. In the 2017 EE Annual Plan, this is the 2017 Electric Energy Efficiency Program Budget in Attachment 5, Table E-2.

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The Company interprets the transfer and the total budget as separate directives to the Company.

The first directive requires the Company to transfer \$12,500,000 from the approved 2018 System Reliability and Energy Efficiency (EE) Plan. The law requires a transfer from the approved Plan, not from the approved budget. The Company has precedence for treating transfers among state funds as part of the Plan on Table E-1. The transfer of Regional Greenhouse Gas Initiative Funds from state funds to the Company has been approved as part of Plan in Table E-1 in 2015, 2016, and 2017.

The second directive requires a budget cap. The 2018 budget will not exceed the amount in the 2017 Electric Energy Efficiency Program Budget, which is Table E-2 of the 2017 EE Annual Plan.

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PUC 3-5

Request:

If the response to PUC 3-4 is that ratepayers should pay \$12.5 million in rates above the budget cap, please provide a calculation that can show ratepayers the effect of paying \$107,068,586 for a program that is based on a \$94,568,586 funding level.

Response:

As stated in response 3-4, the transfer and total budget are separate directions in the law.

Attachment 1 of the Three-Year Plan includes the calculation for customers if the total funding required was \$115,547,860, of which only \$80,109,128 is from customers (line 3 + line 11).

The calculation for customers for the 2018 EE Annual Plan will be included in the 2018 EE Annual Plan filing as Attachment 5, Table E-1.

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PUC 3-6

Request:

Please explain why the Three-Year Plan applies the \$12.5 million transfer only to the 2018 electric budget.

Response:

The \$12.5 million transfer was only applied to the electric budget because the Company projected that the electric sector would have \$10.7 million in carry-over funds from program year 2017, and the gas sector would have a negative \$378,798 year-end fund balance, as shown on line 4b in Attachment 1 of the Three-Year Plan.

Please note that the Three-Year Plan Funding Plan is illustrative and the Annual Plan may differ.