

July 3, 2018

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 - RI Energy Efficiency and Resource Management Council's (EERMC) Revised Least Cost Procurement Standards
National Grid Letter of Support**

Dear Ms. Massaro:

National Grid¹ submits this letter in support of the Revised Least Cost Procurement Standards (Revised Standards), which the Rhode Island Energy Efficiency and Resource Management Council (EERMC) filed with the Rhode Island Public Utilities Commission (PUC) on May 18, 2018.

The Revised Standards accurately capture the new methodology for comparing the cost of efficiency and the cost of supply, as applied by the Company in its 2018 Energy Efficiency Program Plan (EE Plan). The revisions to the Standards define the two changes to this methodology: 1) removal of customer contributions from the calculation of cost of energy efficiency; and 2) basing the cost of supply on the weighted average for all Residential, Commercial, and Industrial customers rather than solely the Residential cost.

The Company supports these revisions, which will provide a more accurate comparison of the cost of procuring energy efficiency savings to the cost of procuring energy supply for customers. The revisions are in line with best practices, have been vetted properly by stakeholders, and comply with the Least Cost Procurement Statute, as detailed in this letter.

Alignment with Best Practices

A discussion regarding the first draft of the 2018 EE Plan at the September 2017 EERMC meeting prompted a review of the methodology for comparing the cost of energy efficiency to the cost of supply to determine whether the methodology was still consistent with industry best practices. The EERMC Consultant Team worked with the Company to review best practices for comparing the cost of energy efficiency to the cost of energy supply, including a review of

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

reports from the Lawrence Berkeley National Laboratory (LBNL)² and the American Council for an Energy-Efficient Economy (ACEEE).³

The LBNL and the ACEEE reports indicate that the appropriate way to define the cost of energy efficiency in the context of comparing it to supply costs is through the Utility Cost Test perspective, which is defined as only the program administrator costs. This represents the cost to the utility to implement efficiency programs including incentives paid to the customer, program administration, marketing, and evaluation. This is what the Company defines as Implementation Expenses in its Annual Energy Efficiency Program Plans.

Costs incurred by the participants in the program should not be included for the purpose of this specific comparison. Specifically, LBNL refers to the cost of energy efficiency as the “cost of saved energy (CSE)” or “program administrator cost” and defines it as: “(1) program administration planning and delivery; (2) engineering or technical support; (3) services provided by implementation contractors; (4) marketing, education and outreach; (5) direct rebates or financial incentives to program participants; and (6) evaluation, measurement and verification costs”.⁴ Program administrator costs exclude participant costs, as well as program administrator performance incentives.

Stakeholder Engagement

The Revised Standards were socialized with energy efficiency stakeholders for their review and feedback. The EERMC Consultant Team facilitated a discussion regarding the changes to the Revised Standards at the following meetings: EERMC Meeting on April 19, 2018; RI Energy Efficiency Collaborative (Collaborative) on April 23, 2018; and the EERMC Meeting on May 17, 2018. At the May 17, 2018 EERMC meeting, the EERMC Council voted to approve and submit the Revised Standards to the PUC.

Consistency with Least Cost Procurement Statute

Least Cost Procurement requires the Company to procure “energy efficiency and energy conservation measures that are prudent and reliable and when such measures are lower cost than acquisition of additional supply.”⁵ As prescribed by statute, the Company procures energy efficiency resources instead of supply to meet customer energy demand. If what the Company spends on acquiring energy savings is less than acquiring additional supply, the Plan meets this requirement.

² LBNL, The Program Administrator Cost of Saved Energy for Utility Customer-Funded Energy Efficiency Programs, <http://utilitiescalesolar.lbl.gov/sites/all/files/lbnl-6595e.pdf>.

³ ACEEE, The Best Value for America’s Energy Dollar: A National Review of the Cost of Utility Energy Efficiency Programs, <http://aceee.org/research-report/u1402>.

⁴ LBNL, 9.

⁵ R.I. Gen. Laws § 39-1-27.7 (a)(2).

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The costs associated with the procurement of energy efficiency are those costs the Company incurs to obtain customer participation in its efficiency programs – the Implementation Expenses. The customer cost is separate. The customer will invest in a non-efficient product on their own; it's the Company's Implementation Expenses that move the customer to invest in the higher efficiency product instead to obtain energy savings. Therefore, the appropriate comparison is to use the cost to the utility or the Implementation Expenses and to exclude the customer cost when comparing to the cost of procuring energy efficiency to procuring energy supply as defined in the Revised Standards.

The appropriate place to capture the customer cost is in the RI Test. The RI Test is required by the Standards to determine the cost-effectiveness of the Company's energy efficiency programs. It compares the broader costs and benefits of energy efficiency to Rhode Island as a whole – not just to the Company. The RI Test takes into account the overall costs and benefits to the system, the customer, the utility, the economy, and climate.

Although the Company supports the Revised Standards, as a follow up to a question raised at the December 13, 2017 PUC hearing on the 2018 EE Plan, the Company is open to further discussing whether the RI Test could be used as the sole determination of whether energy efficiency costs less than energy supply.

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

Sincerely,



Raquel J. Webster

cc: Docket 4684 Service List
Jon Hagopian, Esq.

Certificate of Service

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

July 3, 2018
Date

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

Service list updated 6/6/18

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