



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

DIVISION OF PUBLIC UTILITIES & CARRIERS

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November 12, 2020

Luly Massaro
Commission Clerk
Rhode Island Public Utilities
Commission
89 Jefferson Blvd
Warwick, R.I. 02888

In Re: National Grid's 2021-2023 Energy Efficiency Program Plan & 2021 Annual Energy Efficiency Program Plan

Dear Luly,

Please find the Rhode Island Division of Public Utilities and Carriers, (Division) Comments with respect to National Grid's 2021 Annual Energy Efficiency Program Plan for filing with the Rhode Island Public Utilities Commission, (Commission).

If you should have any questions, please do not hesitate to contact me.

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Sincerely,

/s/ Jon G. Hagopian

Jon G. Hagopian
Deputy Chief Legal Counsel

Memo

**To: Luly Massaro, Commission Clerk
Rhode Island Public Utilities Commission**

**From: Joel Munoz, Division Rate Analyst
Tim Woolf, Synapse Energy Economics
Jennifer Kallay, Synapse Energy Economics**

Date: November 12, 2020

**Re: Docket No.: 5076 – The Narragansett Electric Company d/b/a National Grid
2021-2023 Energy Efficiency Program Plan & 2021 Annual Energy Efficiency
Program Plan**

The Division of Public Utilities and Carriers (“Division”) respectfully offers the following comments on The Narragansett Electric Company’s (“National Grid” or the “Company”) 2021-2023 Energy Efficiency and Conservation Plan (“Three-Year Plan”) and the 2021 Annual Energy Efficiency and Conservation Plan (“2021 Annual Plan”), collectively referred to as the “Combined Plan”.

After careful review of the Combined Plan in its entirety, in-depth examination of selected aspects of the Plan, and in light of several concessions adopted by National Grid over the course of the planning and negotiations process, the Division is pleased to support the Combined Plan as adopted by the Energy Efficiency and Resource Management Council on October 8, 2020.

Background

This Combined Plan was crafted at an extraordinary time due to the COVID-19 pandemic, a shift away from the previous focus on lighting measures, and a renewed emphasis on equity as a critical element of successful program delivery.

The planning effort was disrupted by the onset of the COVID-19 pandemic. In the immediate term, vendor delivery and customer demand for energy efficiency audits and measures slowed. The Company is applying positive electric and gas fund balances to the 2021 Annual Plan due to lower program uptake in 2020. The social, economic, and environmental impacts of this pandemic will materialize over the longer term, but the timing, magnitude and duration of these impacts are uncertain.

This is the first Three-Year Plan that demonstrates a substantial shift away from lighting measures. The electric savings targets over the Three-Year Plan are lower than the previous Three-Year Plan as some, but not all, of the savings opportunities formerly afforded by lighting are able to be replaced by other savings opportunities without increasing spending levels.

Improving access to energy efficiency program benefits, including economic and employment stability was an especially high priority for stakeholders in this Three-Year Plan. In addition to maintaining funding levels and incentives for low and moderate-income customers in the 2021 Annual Plan, the Company committed to several research efforts to drive change over the next three years.

This Combined Plan is appreciably different than past Energy Efficiency plans due to these defining elements.

Division Comments

National Grid's Combined Plan integrates and balances the many needs and perspectives of the key stakeholders during this unique and challenging time. The Division was actively involved in the process that led to the development of the Combined Plan with particular focus in the following areas:

- A continued commitment to the principles of Least Cost Procurement;
- Consideration of the economic implications of energy efficiency charge increases amid the COVID-19 pandemic;
- An evolution of performance incentive mechanisms; and,
- The integration and advancement of state objectives.

We provide additional detail on each of these areas of interest in the sections below.

Principles of Least Cost Procurement

Revised Least Cost Procurement Standards drove development of new content and new organization of this content in the Three-Year and Annual Plans. Importantly, the Standards were expanded and clarified. Sections in the Three-Year and Annual Plans titled *Consistency with Standards* provide clear documentation for how the Combined Plans meet the Least Cost Procurement Standards. The Division finds that these sections provide evidence that the Combined Plans procure energy efficiency for Rhode Island ratepayers in a reliable, prudent, environmentally responsible, and cost-effective manner.

Economic Implications of EE Charge Increases Amid the COVID-19 Pandemic

Due to the COVID-19 pandemic energy efficiency, delivery partners, workforce, and customers are experiencing economic uncertainties. Unlike the 2021 Annual Plan, the Three-Year Plan goals and budgets are not binding but rather illustrative, which provides the flexibility necessary to balance the current and prevailing economic conditions and the significant benefits to ratepayers and contributions towards the economy that investment in energy efficiency affords. The Division supports the range of illustrative savings goals and budgets for 2022 and 2023 in the Three-Year Plan from the baseline scenario to the high scenario (the Market Potential Study Mid-Scenario) as a creative measure to offer a clearer picture while remaining receptive and open to more information on the development of the pandemic and its impacts on

Rhode Island. The opportunity to update goals and budgets in both the coming 2022 and 2023 Annual Plans will remain available to all the stakeholders.

Paramount among the Division's most important legislatively mandated roles is that of Ratepayer Advocate. Therefore, the Division has, from the beginning of discussions and negotiations, consistently advocated for a level energy efficiency charge. The 2021 Annual Plan maintains the same energy efficiency charge per kilowatt hour as in the 2020 Annual Plan.

The Division recognizes the immediate economic needs of our ratepayers, particularly in time of economic uncertainty, while never losing sight of the long-term benefits of energy efficiency including avoiding more costly investments in transmission and distribution infrastructure, lowering future customer bills and protecting ratepayers from volatile energy and capacity markets. The Division supports the 2021 Annual Plan investments geared towards those customers that are hardest hit by the economic impact of the pandemic: low and moderate-income customers and small business.

Performance Incentive Mechanisms

The Division finds that the Performance Incentive Mechanism (PIM) structure of the Combined Plan properly reflects the fruits of extensive stakeholder negotiations that took place from April to September 2020. The Division's primary goal was to break the explicit link between National Grid's earning opportunity and plan budgets. Overall, the PIM structure strikes a reasonable balance between protecting ratepayers and motivating the Company to plan for and implement efficient and successful programs. Some of the key provisions include:

- A total incentive pool established through annual negotiations with the Company and stakeholders. This helps to break the explicit link between earning opportunity and plan budgets.
- Incentives designed and applied separately for the residential, income-eligible, and commercial and industrial programs. This helps to ensure that each sector is given sufficient attention by utility management.
- Incentives earned based on net benefits (exclusive of macroeconomic benefits), instead of energy savings. This helps provide incentive for the Company to both reduce costs and increase benefits.
- A lower PIM earning threshold of 65% of achieved benefits, rather than the 75% that has been used in the past. This was deemed to be appropriate given the uncertainty that remains regarding the impact of COVID-19 on the Rhode Island economy and customers' willingness to participate in energy efficiency programs.

Integration and Advancement of State Objectives

The Division supports the Combined Plan's integration and advancement of state objectives, including: (1) increased, equitable access to energy efficiency services to all ratepayers, especially low and moderate income customers; (2) continued market penetration for the commercial and industrial sector; (3) reduced greenhouse-gas emissions; and (4) economic development. The *Coordination with Other Energy Policies, Programs, and Dockets* section in

the Three-Year Plan and the *Coordination with Other Energy Policies and Programs* section in the Annual Plan provide documentation of these objectives how the Company's energy efficiency efforts align with and support other Company and non-Company initiatives to achieve these objectives.

Regarding equity, the Division supports National Grid's commitment to several research initiatives to further support equity efforts in future years. In 2021, the Company will convene an Equity Working Group to identify areas of importance and focus. As part of the role of this working group, the stakeholders will explore and addresses non-participation in certain customer segments by: (1) reviewing previously conducted non-participant studies; (2) conducting new non-participant studies to identify barriers such as: geography, income, homeownership status, and primary language; and (3) using learnings from these studies to update programs and tailor marketing to improve engagement by non-participants. One customer segment the Company has committed to address through this effort is multifamily housing.

In addition to the efforts of the Equity Working Group, the Company will:

- continue to identify customers who are eligible for a discounted electric rate, move them onto the low-income rate, and provide low-income energy efficiency services and incentives; and,
- allocate roughly one percent of the 2021 Annual Plan portfolio expenditures to support economic recovery and expand job access through workforce development. Employment equity is an important component of these efforts and there will be a specific focus on expanding employment opportunities for women and minorities from environmental justice communities.

Additionally, within the EnergyWise program, the Company is extending the 100 percent incentives for weatherization for moderate income customers offered in 2020 into 2021.

Closing

The Combined Plan provides a clear path forward. The Division recognizes the significant work of all stakeholders in development of the Combined Plan and looks forward to working with the stakeholders to further benefit Rhode Island electric and gas customers. Implementation of the 2021 Annual Plan will provide valuable insights on cost, savings opportunities, and delivery options. The Division commits to reviewing and leveraging this information to refine the 2022 and 2023 Annual Plans.