

Memorandum

To: Energy Efficiency & Resource Management Council
From: Mike Guerard, Optimal Energy
Date: January 15, 2017
Subject: Update on 2018 Energy Efficiency Program Plan

Update on 2018 Energy Efficiency Plan status at PUC

At the December 20, 2017 Open Meeting of the RI Public Utilities Commission (PUC), the PUC deferred approving the 2018 Energy Efficiency Program Plan (EE Plan) that was filed on November 1, 2017 pending National Grid providing requested spending and accounting adjustments. The deferment was not due to any PUC concerns on the design and objectives of the EE Plan, and the requested changes had no impact on the overall program budget, savings and benefits approved by the EERMC at the October 19, 2017 meeting. National Grid filed an Amended 2018 Energy Efficiency Program Plan with Revised Tables for Attachments 5 and 6 on December 26, 2017 per PUC direction¹. The PUC held an Open meeting on January 9, 2018, and voted to approve the EE Plan with the revised tables. They also stipulated that the resulting Energy Efficiency Charge go into effect on January 11, 2018.

The changes in the tables stemmed from two specific areas of modification requested by the PUC. The first required change was to update the electric and gas fund balances that were included in the November 1 filing. The positive or negative fund balance from any year affects the amount of Energy Efficiency Charge (EE Charge), also known as system benefit charge (sbc), to be collected in the following year to support the overall budget. Those two sources of funding – any fund balances and yearly collections – in addition to the Forward Capacity Market funds, fund the Plan. Traditionally, National Grid has used an estimate of fund balances as of September in order to have final drafts reviewed by the Collaborative and submitted to EERMC in October. This year, the PUC requested a more recent value to apply in order to assure a more accurate projected fund balance is used to inform the resulting EE Charge. Based on that change:

- The updated fund balance for the electric side increased from an estimate of \$8,895,800 to \$10,898,350. This resulted in the initially proposed EE Charge of \$0.01000 per kWh decreasing by \$0.00028 per kWh and is now \$0.00972 per kWh.
- On the gas side, the updated fund balance moved from (\$2,260,100) to (\$701,100). The initially proposed EE Charge has decreased from the original proposal of \$0.898 per dekatherm (Dth) by \$0.029 per Dth and is now \$0.869 per Dth for residential customers. For commercial and industrial customers, the EE Program Charge has decreased from the original proposal of \$0.727 per Dth by \$0.056 per Dth and is now \$0.671.

Since the EERMC and OER budgets are based on a 2% allocation of the collected EE Charge (each gets 1%), the lowering of that charge resulted in budget cuts for the EERMC and OER of \$35,367 each, for a total decrease of \$70,734. \$40,020 of the total reduction was caused by changes to the electric EE charge and \$30,714 of the total reduction was caused by changes to the gas EE charge.

¹ http://www.ripuc.org/eventsactions/docket/4755-NGrid-Rev2018EEPlan_12-26-17.pdf

EERMC CONSULTANT TEAM

The second area for modification directed by the PUC involved the Demonstration Research and Development (pilots) portion of the EE Plan. While the PUC supported inclusion of these pilots in the EE Plan, they felt they should not be in the portion of the budget used to calculate National Grid's performance incentive. That change was made, and is reflected in tables E-3, E-9, G-3, and G-9. This resulted in Grid's planned shareholder incentive being decreased by \$111,778 for electric and gas combined. In approving the refiled EE Plan on January 9, 2018, the PUC did make a specific requirement for National Grid to submit reports on the pilots regarding results of the projects.

By using more up-to-date collection values and removing National Grid's stakeholder incentive for pilots, \$185,512 was freed up for reinvestment into EE programs. In consultation with the settling parties, National Grid allocated these funds to all programs in the Evaluation Budget. The final outcome leaves the total budget in the 2018 EE Plan consistent with the General Assembly's legislated Budget Cap. After all adjustments were made, the total overall electric and gas budget, energy savings goals, benefits, benefit cost ratios, cost of saved energy, and number of customers the Company plans to serve are the same as the filed 2018 EE Plan.

A third request was made by the PUC at the December 20 PUC meeting. While accepting the revised and enhanced method to calculate the cost of energy efficiency and cost of supply, they directed the parties to update the Standards for Energy Efficiency to include a section spelling out the specific methodology and rationale. The EERMC will need to drive this process in 2018, sufficiently in advance of the 2019 EE Plan being filed.