

The Division of Public Utilities and Carriers offers this informal update to the Energy Efficiency Resource Management Council and all stakeholders on its review of the 2019 Energy Efficiency Plan and the 2019 System Reliability Plan. The Division is grateful to the Office of Energy Resources for agreeing to read these comments at the September 2018 EERMC meeting.

The Division recognizes the significant work and dedication of all energy efficiency stakeholders, and especially National Grid, the EERMC consultant team and the Office of Energy Resources. We wish to publicly recognize the good faith and hard work that has gone into the 2019 Plans.

The Division has two primary areas of concern.

First, the Division has identified issues with the Company's proposal for the Combined Heat and Power project at the Navy facility at Newport. Although the Division supports the overall goals of the Navy's project, there are issues related to the design of the project itself and the way that National Grid has managed the project that lead the Division to question whether the Company has behaved prudently in this case and whether the 2019 Plan should include any cost recovery for this project. Our review of the Navy project also suggests that the way the Energy Efficiency Plan treats CHP in general needs review.

In particular, the Division is concerned that the BCA test used to evaluate programs is not reasonably transferable to screening large CHP projects which typically have unique characteristics that should be evaluated on a more individualized basis. In addition, the Division is concerned with the discretion given to the utility in negotiating incentives for large projects. The Division has been in communication with National Grid and OER and the EERMC consultants about its concerns.

Second, the Division has identified areas of concern with the System Reliability Procurement Plan. Those concerns fall into three large categories. The Division has made recommendations for structural changes that would increase the ability of developers and stakeholders to meaningfully engage in the SRP process that are not included in the Plan. The Division has raised questions about the design of SRP program components, especially the Customer Engagement program to research behavioral economics, that are not meaningfully addressed in the Plan. And the Division has raised questions about the SRP incentive structure. To date, the SRP has received significantly less engagement than the Energy Efficiency Plan. As in past years, the Division expects to work closely with the Company to design a robust SRP Plan and we hope the Company will make progress on that in the coming weeks.

We offer this update in the spirit of working collaboratively to achieve the best possible energy efficiency programs for Rhode Islanders.

Thank you,

Jonathan Schrag

Deputy Administrator