

# Memo



**To:** RI Energy Efficiency and Resource Management Council  
**From:** Consultant Team  
**CC:** Becca Trietch  
**Date:** July 22, 2021  
**RE:** Recommendation on National Grid's Request for Program Overspend

CONSULTANT TEAM

## Introduction

National Grid (the Company) is seeking the EERMC's approval to exceed the gas portfolio budget filed in the 2021 Annual Energy Efficiency Plan (the Plan) by more than 10%. This request is in the form of seeking an increase in the total natural gas portfolio budget approved by the PUC rather than seeking a transfer of funds between programs or sectors since all other programs and sectors are forecasted to spend at or near their targeted budgets. The core driver of the forecasted overspend is a result of the success of the EnergyWise Single Family Gas Program (the program), which through the end of June had spent nearly all of its planned budget and is forecasted to spend nearly double its planned budget (Table 1)<sup>1</sup>. A primary driver of this higher-than-expected spending to date has to do with the fact that the PUC required the Company to level set this program budget at 2020 achievement levels. As a result, the Company planned weatherization projects at the standard 75% incentive level, but ended up having a significant number of commitments at the 100% incentive level that was offered in 2020. The Company has also indicated that their pipeline of projects that have been generated since programs re-opened has been stronger than expected.

Given that the program accounts for nearly 25% of the total gas portfolio budget, significant changes in this program as are forecasted by the Company have a large impact on the portfolio as a whole.

This memo describes the Company's requirements for notification and approval on deviations from planned budgets, summarizes the Company's request and provides the Consultant Team's (C-Team) recommendation to the EERMC.

Table 1

Program	Planned Budget	Forecasted Spend	Percent of Budget Spent
EnergyWise Single Family Gas	\$8,117,600	\$16,157,436	199%
Total Gas Portfolio	\$33,275,200	~\$38,932,000	117%

<sup>1</sup> Please note that these are forecasts and therefore there is inherently some level of uncertainty in these numbers.

## Requirements for Notification and Approval of Deviations to Planned Budgets

The Company's filed and approved Annual Energy Efficiency Plan for 2021 contemplated three scenarios related to deviations from the planned budget for 2021. These scenarios were covered in Section 11.5<sup>2</sup> of the Plan and are summarized below.

- **Scenario 1 – Exceed total budget by up to 10%:** Allowed as long as written notification is provided to the EERMC, OER, PUC, and DPUC. Any such notification would occur as soon as possible, and no later than the distribution of the Company's Third Quarter Report in mid-November 2021. Such notification would need to explain the need for a higher budget and must justify how the expenditures are reasonably consistent with the original annual plan and in accordance with Least Cost Procurement (LCP).
- **Scenario 2 – Exceed total budget by more than 10%:** Allowed if the Company seeks and gains approval from the EERMC. Following EERMC action, the Company would then be required to obtain approval from the PUC for expenditures that exceed 15% of the approved budget. These expenditures would then need to be collected through reconciliation in the next year's energy efficiency program charge.
- **Scenario 3 – Exceed total budget by more than 10% without notification:** Allowed, however if the Company did not provide notification to parties as outlined above, any expenditures beyond 110% of the approved budget will be at the Company's risk. In this scenario, the Company would bear the responsibility of demonstrating the reasonableness of the overspend to the PUC, including an explanation of why the over-spending occurred and how the expenditures are reasonably consistent with the original plan and in accordance with LCP. This demonstration would be required in order for the Company to secure cost recovery, and would need to be provided as part of the 2021 Year-End Report, if not sooner.

For the purpose of this memo, the Company is notifying the EERMC that spending may exceed the total budget by up to 10% as required in Scenario 1, and is seeking the EERMC's approval to exceed the total gas budget by more than 10% as outlined in Scenario 2. It is important to note that the language presented in Scenario 2 with respect to notification and approval from the PUC differs from what the Company has indicated in its request and approval from the EERMC. In the PUC's Open Meeting on the transfer and budget rules, the PUC voted "To adopt the inter-sector budget transfer rules proposed in the Settlement (Sections 11.4 and 11.5) as they pertain to parties other than the Commission"<sup>3</sup>. The Company's legal counsel has provided guidance that this removes the requirements related to the PUC in each of the scenarios laid out above, with the exception that they would still need to justify overspend in its year-end report. While the C-Team does agree with the Company's assessment of the PUC's vote, the

---

<sup>2</sup> [http://www.ripuc.ri.gov/eventsactions/docket/5076-NGrid-2021EEPlan\(10-15-2020\).pdf](http://www.ripuc.ri.gov/eventsactions/docket/5076-NGrid-2021EEPlan(10-15-2020).pdf) - Bates page 258

<sup>3</sup> The link to the PUC meeting is located here: <https://video.ibm.com/recorded/129791327>. Discussion starts at the 1:36 mark and lasts for about 3 minutes.

PUC has not yet issued a written Order that would codify that assessment. Our recommendation below reflects this.

### **Recommendation**

In general, the C-Team recommends that the EERMC support the Company's request to overspend on the gas portfolio for the reasons outlined below:

- Supporting the overspend means supporting continuation of programs that are delivering cost-effective savings to Rhode Island ratepayers and is in alignment with LCP Standards for delivery all cost-effective savings that are less than the cost of supply. Specifically, the Company is forecasting that the additional budget will yield an additional 953 gas weatherization jobs and approximately 715,000 lifetime MMBtus of additional gas savings.
- Without the EERMC's support, the Company may choose to scale back or even stop the program entirely. This could have adverse effects on the workforce's ability to continue delivering these programs in 2022.
- The Company has taken actions to reduce the overall magnitude of the overspend in the EnergyWise Single Family Gas program, including reducing customer incentives on weatherization from 75% to 50% and scaling back some marketing efforts.

Formally, the C-Team provides the following recommendations for the EERMC:

- Approve the Company's request to overspend on the gas portfolio by more than 10%, with the caveat that overspend should be limited to 15% at least until the PUC issues its written Order confirming the Company's assessment of the PUC's vote as referenced in the section above. If the Company later determines that 15% overspend is needed and no PUC approval is required, additional EERMC approval should be sought.
- As a condition of its approval, the Company provide ongoing updates to their gas portfolio spend, participant and savings forecast at all future EERMC council meetings.
- The Company should provide the PUC with a courtesy notice of the overspend within 30 days of the EERMC's approval, well in advance of its formal requirement to report on it in its 2021 Annual Report to be filed in May 2022.