

STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION

RECEIVED

2008 MAY 19 PM 3:28

STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION

IN RE: RI ENERGY EFFICIENCY AND RESOURCE : DOCKET NO. 3931
MANAGEMENT COUNCIL'S PROPOSED STANDARDS
FOR ENERGY EFFICIENCY AND CONSERVATION
PROCUREMENT AND SYSTEM RELIABILITY

SUPPLEMENTAL COMMENTS OF THE RHODE ISLAND OFFICE OF ENERGY
RESOURCES ON THE ENERGY EFFICIENCY RESOURCE MANAGEMENT
COUNCIL'S PROPOSED STANDARDS FOR ENERGY EFFICIENCY,
CONSERVATION MANAGEMENT AND SYSTEM RELIABILITY

At the hearing before the Rhode Island Public Utilities Commission ("Commission") in this matter on May 14, 2008, the Commission directed the Rhode Island Office of Energy Resources ("OER") to file by May 19, 2008 supplemental comments in which the OER was to identify any provisions of the Energy Efficiency Resource Management Council's ("EERMC") proposed standards for energy efficiency, conservation management and system reliability ("Standards") which the OER did not support. The OER hereby files its supplemental comments on the Standards in accordance with the Commission's instructions to OER.

INTRODUCTION

In the EERMC's February 29, 2008 filing, the EERMC stated that "the PUC should issue standards that provide a clear framework for National Grid's Energy Efficiency and System Reliability Procurement Plans, defining their basic structure, ground rules and goals." EERMC Filing Cover Letter, P.2.

On April 23, the OER filed its Comments (Exhibit No 5) and, subsequently, made representations at the May 14th hearing in which it raised a number of issues, based upon its understanding of the underlying legislation and the intent of the legislature. These issues include, among others:

- supporting EERMC's proposal to include the Total Resource Cost Test ("TRC") method for evaluating a proposed program or energy resource in the Standards;
- urging that the Standards emphasize the need for the ultimate outcome of this process to be a reduction in actual customer bills, hopefully an actual reduction, but at least a reduction from what they would otherwise be;

- expressing a concern that this reduction accrue to all customers, to the extent possible, and that the Standards should minimize any creation of classes of winners and losers under the programs adopted under these Standards;
- addressing the proposed sources of funds for such programs; and
- urging that decoupling and utility incentive issues, as well as other issues that are not a necessary part of the Standards, be taken up in other more appropriate proceedings, where the scope and timing of such proceedings would facilitate a more thorough, complete and reasoned analysis of these issues that are related to, but not an essential part of this particular proceeding.

SUPPLEMENTAL COMMENTS

Therefore, as required by the Commission, the OER offers the following supplemental comments for improving the substance, clarity and readability of the Standards.

THE TRC

The EERMC recommended use of the TRC the for evaluating the cost-effectiveness of a proposed program or energy resource. The TRC is generally understood to “measure(s) the net costs of a demand-side management program as a resource option based on the total costs of the program, including both the participants’ and the utility’s costs.” California Standard Practice Manual: Economic Analysis Of Demand-Side Programs and Projects, Chapter 4 (October 2001). The OER believes that the TRC is appropriate for evaluating such proposed programs. However, the inputs to the TRC methodology vary among utilities and others. The Standards propose to leave the inputs to the TRC undefined, proposing, instead, that National Grid, after consultation with EERMC, be authorized to propose the inputs to Rhode Island’s TRC at some unspecified future time. Section 1.2 (A)(ii)(a).

There is also a variant of the TRC known as the Societal Test. “The Societal Test differs from the TRC test in that it includes the effect of externalities (e.g., environmental, national security), excludes tax credit benefits, and uses a different (societal) discount rate.” Id. While, the Standards propose the use of the TRC, not the Societal Test, the Standards propose to adapt the TRC to include two of the elements associated with the Societal Test. Section 1.2(A)(ii)(b) proposes a particular form of defining CO2 mitigation input. Section 1.3(B)(ii) authorizes National Grid, in consultation with the EERMC, to propose “non-energy benefits”, in addition to the benefit inputs used in the TRC for determining the cost-effectiveness of other programs,

to be added to the benefit inputs of the TRC when it is to be used to evaluate the cost-effectiveness of programs proposed in the Residential Low Income Program.¹

The development of all of these inputs to the TRC is a central part of the Standards process. If the Commission were to approve of the use of the TRC without addressing these inputs, it would fail to address the heart of this matter. Leaving the content of the TRC essentially undefined until some unspecified future time would also frustrate the intent of the statute to encourage providers to try to develop economical programs and resources for National Grid's customers. Moreover, it would hinder the consideration of potential projects and resources if the inputs to the standards were unknown until the actual National Grid filings.

Rather, the Commission should approve at this time, in principle, the proposed use of the TRC, and order further proceedings to develop proposals for the input to the TRC as part of the Standards, perhaps through either a sub-docket or a continuation of this docket. As part of that process, the OER believes that there is merit to the EERMC and National Grid working together to develop proposed inputs for the Commission as proposed in the Standards. National Grid's proposal should then be the subject of further proceedings, prior to any filings, to finally establish such inputs.

The EERMC suggests that the Commission should not "over-specify" what should be in the Standards. EERMC Cover Letter, P.3. While the OER agrees that there should be sufficient flexibility in the TRC process for innovation and adjustment, it should be possible to define the inputs in such a way as to allow some flexibility, where required, to allow alternative scenarios as part of the filings or request approval for a change if the established inputs are believed to be no longer appropriate.

OTHER COMMENTS

It is unclear to the OER what Section 1.2(A)(i)(c) adds to the preceding Section 1.2(A)(i)(b), as the latter seems to cover the subject matter.

In Section 1.2(A)(ii)(b), second sentence, the OER proposes that this be amended to read: "Any other costs actually or potentially associated with greenhouse gas reduction that are actually or potentially being imposed on energy generation shall be identified and quantified."

In Section 1.2(A)(iii)(a), footnote 3, a study is discussed as "may" be proposed by National Grid. However, there is no explanation as to why the study should not be required or how National Grid is to explain its decision to conduct or not to conduct this study.

¹ There are also other adaptations that can be made to such programs, including rate design modifications to mitigate non-participant impacts and spreading programs among customers more evenly. Benefit Cost Tests for Energy Efficiency, The Regulatory Assistance Project (March 25, 2008).

What does the phrase “on behalf of” mean in Section 1.2(A)(iii)(b)? Why is this sub-section necessary in the Standards under the sub-heading “Prudence and Reliability”?

In Section 1.2(A)(iv)(b), the budget should identify “the projected cost of efficiency resources in cents/lifetime kWh” at the program level as well as at the portfolio level.

The OER believes that National Grid should have an opportunity to earn a fair return on its investment. However, Sections 1.2(B) and 3.1 through 3.3 should be deleted in their entirety and these issues considered in other, more appropriate, proceedings.

The Standards contain multiple references to, and differing formulations of, principles of customer benefits equity in program design and implementation in Sections 1.2(A)(iii)(b) (“investments shall be made on behalf of all customers”), Section 1.3(A)(ii) (“all customers (should) have an opportunity to benefit comprehensively, where appropriate, (from program investments)”), Section 1.3(A)(vi) (“ensure that different sectors and all customers get opportunities to secure efficiency resources (sic) lower cost than the cost of supply”); and Section 1.3(A)(vii) (“rough parity among sectors” limited by principles of “cost-effectiveness” as “there may be more efficiency opportunities identified in one sector than another” (for example, where the low income preference proposed in Section 1.3(B)(ii) applies)).

The legislature intended that all customers should benefit and that any gap between “winners” and “losers” should be minimized or eliminated. The OER does not believe that there is any disagreement among the parties on this point. The determination, to the extent possible, of how various customers and classes of customers are treated vis-à-vis each other under these Standards is one of the central problems facing the Commission in this proceeding and should be addressed as clearly as possible. The problem with such differing formulations of these principles in the same document is that it makes it difficult to determine what the Standards actually require. These differing statements of intent should be combined into one unified theory of customer equity that would guide the program’s design and implementation.

Section 1.3(A)(iv) addresses research and development and pilot programs. The OER suggests that the word “reasonable” be included before the phrase “portion of proposed funding” in the first sentence thereof.

In the second sentence of Section 1.3(A)(v), the OER proposes to replace the phrase “possible and practical” with the phrase “it is economical and efficient to do so,” as more consistent with the intent of the legislation in evaluating the use of existing educational and job training entities.

The content of the last sentence of Section 1.3(A)(vii) appears to already be included in Section 1.3(A)(ii).

Section 1.3(B) is described as covering “Final Funding Plan and Budget Amounts, Cost-Effectiveness and Goals.” The OER suggests that any provisions covering cost-effectiveness and goals, such as Sections 1.3(B)(ii)(first sentence) and (iv) be moved to Section 1.3(A), which contains the description of “EE Plan Components.” Likewise, Section 1.3(B)(iii) should be eliminated at this time and considered at the same time as other proposed TRC inputs.

Section 1.2(A)(ii)(b) contains a proposed adjustment to the TRC for greenhouse gas costs not incorporated in the Regional Greenhouse Gas Initiative’s projections. Section 1.3(B)(v) requires a different analysis, stating that “In order to assess the potential effect of greenhouse reductions costs, the Utility, upon consultation with the Council, shall conduct and report in the EE Procurement Plan a sensitivity analysis of the proposed portfolio of programs that includes a “potential” cost for CO2 mitigation that is agreed upon among (sic) the parties.” The cost of greenhouse gas emissions are going to be determined by the emission allowance sales results under the Regional Greenhouse Gas Initiative. Therefore, it is important that any proposed additional costs of greenhouse gases resulting from such a study be measurable and verifiable. In any event, the OER has proposed that the proposed Section 1.2(A)(ii)(b) adjustment be considered in a proceeding along with the determination of the other inputs to the TRC. The OER believes that consideration of the Section 1.3(B)(v) study should be deferred to the proposed proceeding, as well, to determine whether or not these two provisions overlap and to determine the most efficient and economical way of handling the issues raised by these provisions.

Section 1.3(C)(i) does not appear to impose any substantive requirements and could be eliminated.

The references to incentives in Section 1.3(C)(iii) and (iv)(d) should be eliminated if these issues are deferred as proposed.

The phrase “Comprehensiveness of opportunities addressed at customer facilities” as one of the proposed required elements of the “Program Descriptions” required by Section 1.3(C)(iv)(a) seems to require some explanation before compliance can reasonably be expected.

It is proposed that Section 1.3(C)(iv)(c) be modified by replacing “Integration” with the phrase “Coordination, where economical and practical”.

Sections 1.3(C)(iv)(c) and (e) appear to overlap and should be combined into one section.

The OER proposes to add a new Section 1.3(C)(iv)(f) to the programs description requirements to read:

“f. The Program may also contain such other elements as will advance the goals of energy efficiency in an economical and

practical way.”

The OER proposes to add a new Section (e) to Section 1.3(D)(ii), in order to provide an analysis of the individual programs as part of the Monitoring & Evaluation Plan. That Section would read:

“e. a component that analyzes the costs and benefits of each program.”

Section 1.4 addresses the role of the EERMC. The OER proposes to add a new provision 1.4(I) to read:

- I. Nothing in these Standards is intended to limit or curtail the existing rights of any other party to participate in any Commission proceedings.

It is unclear whether or not the preface to Chapter 2 of the Standards is meant to be part of the Standards. If so, it should be clarified that the right of the EERMC to make proposals and filings regarding proposed revisions to the Standards is not meant to deprive any other party from exercising its right to propose revisions to the Standards.

Section 2.1(b) should be removed from Section 2.1 and made into a Section prior to 2.1, and the sections renumbered. Also, item (5) thereof does not seem to appear in the underlying legislation. Item (6) thereof appears to be missing a word or words.

Section 2.1(c) should be amended to add the phrase “and addresses the concerns of” after the words “allows for input from”.

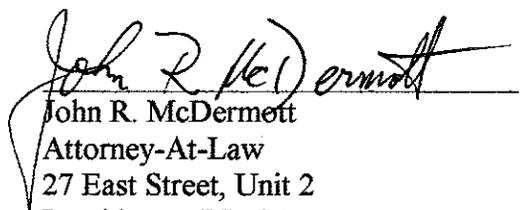
In Section 2.1(c)(6)(i), there appears a discussion of a cost analysis of system reliability investment options. If this is a reference to the TRC analysis, the use of the TRC should be expressly referenced.

As to any element of the Standards not addressed in any of the OER’s written or oral comments, the OER has no objection to their adoption.

CONCLUSION

WHEREFORE, for the above-stated reasons, OER asks that the Commission adopt the supplemental comments set forth above and reflect those supplemental comments in the final standards to be adopted by this Commission.

Respectfully submitted,
Rhode Island Office of Energy Resources
By Its Attorney,

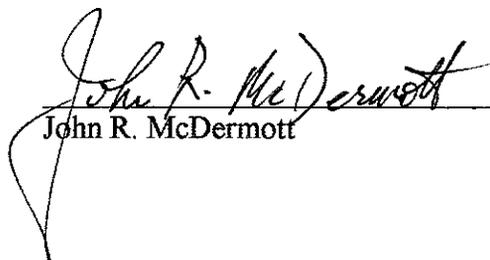


John R. McDermott

John R. McDermott
Attorney-At-Law
27 East Street, Unit 2
Providence, RI 02906
Tel: 401-269-1198
Email: JRMcDermott.law@gmail.com

CERTIFICATE OF SERVICE

I hereby certify that on the 19th day of May, 2008, I emailed a copy of this document to all persons providing email addresses and sent a paper copy by regular mail to any remaining persons, all as designated in the official service list compiled by the Commission Clerk in this proceeding.



John R. McDermott