



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

PUBLIC UTILITIES COMMISSION
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Chairperson Margaret E. Curran
Commissioner Paul J. Roberti
Commissioner Herbert F. DeSimone, Jr.

MEMORANDUM

To: Docket No. 4568 Service List
From: Cynthia Wilson-Frias, Deputy Chief of Legal Services
Date: February 5, 2016
Re: Request for Comments on a Docket to Investigate the Changing Distribution System

The PUC desires to ensure that rates charged to customers continue to be just and reasonable across all programs and components of the bill, and that all programs are consistent with Rhode Island’s Least Cost Procurement Standard.¹ Thus, the PUC wishes to normalize least-cost procurement over all programs. In addition, the PUC desires to ensure all rates are consistent with traditional Bonbright principles and the new principles set forth in the Renewable Energy Growth Program.

Many provisions of Rhode Island law allow National Grid to earn various types of monetary incentives for successful implementation of the programs, each based on a different measure. Some programs have no incentives currently, such as standard offer supply portfolios; others allow for traditional rate-base earnings, such as the ISR plan. Further, some programs, such as the energy efficiency program; various distributed generation programs; and certain distribution-related rates, have budget-, revenue-, and performance-based incentives. Ideally, a single set of measurements would be developed by which all future programs funded through rates can be examined for reasonableness, including whether difference between program incentives are reasonable and whether the decision to implement a utility activity through one program or another is reasonable.

The PUC is also aware that state policy is set and achieved through programs which often have overlapping policy objectives. For example, infrastructure, safety and reliability program spending has the potential to reduce Renewable Energy Growth program spending, and vice versa. Because most of these programs are statutory, operated and reviewed for the most part independently, and lack a unifying test for reasonableness, it is difficult to understand if spending in one program efficiently and appropriately offsets

¹ The full section may be accessed at: <http://webserver.rilin.state.ri.us/Statutes/TITLE39/39-1/39-1-27.7.HTM>.

spending in another program. Ideally, program spending and rates could be set so that state policy goals are achieved at the lowest cost.

In order to accomplish these goals, the PUC will need to gain further understanding and find answers to the following overarching question: **What attributes are possible to measure on the electric system and why should they be measured?**

This overarching question can be further broken down into three broad questions:

1. What are the costs and benefits that can be applied across all programs, identifying each and whether each is aligned with state policy?;
2. At what level should these costs and benefits be quantified—where physically on the system and where in cost-allocation and rates?; and
3. How can we best measure these costs and benefits at these levels—what level of visibility is required on the system and how is that visibility accomplished?

Solutions recommended to the third question must relate back to quantifications identified in answering the second question, which in turn must relate back to the costs and benefits identified in answering the first question.

PUC Staff is in the process of drafting a memorandum to the Commissioners to suggest the scope of the docket, including items that need to be included, with the ability of a stakeholder group to add as time and resources may allow. Staff is also interested in ensuring it understands all of the ways the above questions may be interpreted by stakeholders to ensure clarity from the PUC when it initially defines the scope of the docket. Therefore, please provide any comment and recommendations to PUC Staff on or before **February 19, 2016 at NOON** regarding the scope of the docket based on the questions identified above – **an organization/company should submit a single set of comments in order to avoid confusion.** The comments and recommendations should be sent to Cindy Wilson-Frias cynthia.wilsonfrias@puc.ri.gov who will disseminate them to staff at the PUC. A file will be created with all comments which will be circulated after February 19th to those who filed a comment. All comments will be maintained in a file in the Commission Clerk's office and Commissioners will be able to review that file.

Please feel free to forward this to any other interested stakeholders.