

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION**

**IN RE: RI ENERGY EFFICIENCY AND RESOURCE :
MANAGEMENT COUNCIL'S PROPOSED ENERGY : DOCKET NO. 4684
EFFICIENCY SAVINGS TARGETS, 2018-2020 :**

REPORT AND ORDER

I. Introduction

In 2006, the Rhode Island General Assembly (General Assembly) passed legislation that declared least-cost procurement resource planning for electric and gas utilities to be the energy policy of Rhode Island.¹ The legislation, codified as R.I. Gen. Laws § 39-1-27.7, established a framework that consists of three-year planning periods and savings goals, as well as the long-term goal of achieving all cost-effective energy efficiency. The law requires the Public Utilities Commission (Commission or PUC) to establish procurement standards for system reliability and energy efficiency and conservation procurement. The standards are intended to guide The Narragansett Electric Company d/b/a National Grid (National Grid or Company) in developing its three-year plans and more detailed annual plans for system reliability, and energy efficiency and conservation procurement.²

In 2010, the General Assembly passed Revenue Decoupling legislation, codified in § 39-1-27.7.1(e)(4), that requires the Commission to review and approve, with any necessary amendments, energy efficiency savings targets developed by the Rhode Island Energy Efficiency and Resource Management Council (EERMC). These standards are designed to support the three-year planning process and related annual plans for least cost

¹ R.I. Gen. Laws § 39-1-27.7.

² R.I. Gen. Laws § 39-1-27.7(a).

procurement.³ The savings targets, like the standards, form an integral part of the State's policy to promote energy efficiency, system reliability and least cost procurement.

On December 22, 2016, the EERMC filed for the 2018-2020 period proposed Least-Cost Procurement Standards (LCP Standards) as required by R.I. Gen. Laws § 39-1-27.7(c)(1) and proposed Energy Efficiency Savings Targets (Targets) as required by R.I. Gen. Laws § 39-1-27.7.1(f).⁴

At an Open Meeting held on April 27, 2017, and after review of the record in this docket, the Commission approved the EERMC's proposed revisions to the LCP Standards, subject to certain modifications, and the Targets as proposed by the EERMC.

II. EERMC's Proposed Targets

The EERMC's proposed Targets were developed by its consultants, Vermont Energy Investment Corporation and Optimal Energy (EERMC Consultants) with input from National Grid and a group of stakeholders (Collaborative),⁵ and represent high level estimates of the potentially available cost-effective energy efficiency that is prudent and reliable.⁶ According the EERMC, the process to quantify savings was based on detailed analysis and research that included an assessment of the annual savings potential for National Grid's current efficiency core programs offered to Rhode Island customers,

³ See R.I. Gen. Laws § 39-1-27.7.1(f).

⁴ All filings in this docket are available at the PUC offices located at 89 Jefferson Boulevard, Warwick, Rhode Island, or at <http://www.ripuc.org/eventsactions/docket/4684page.html>. In past years, the EERMC filed with the PUC the proposed Targets and Standards separately. Since the PUC considered both in prior consolidated dockets, the EERMC combined these interrelated filings.

⁵ According National Grid, a group of stakeholders has been meeting regularly since 1991 to collaborate with the Company regarding its electric and gas energy efficiency programs. Members of the Collaborative include the Company, representatives of the EERMC, EERMC Consultants, the Rhode Island Division of Public Utilities and Carriers (Division), the Rhode Island Office of Energy Resources (OER), People's Power & Light, the Energy Council of Rhode Island (TEC-RI), Green and Healthy Homes Initiative, Emerald Cities, and Acadia Center. See National Grid's Energy Efficiency Program Plan for 2017 at 1 n. 1 (Oct. 17, 2016); [http://www.ripuc.org/eventsactions/docket/4654-NGrid-EEPP-2017\(10-17-16\).pdf](http://www.ripuc.org/eventsactions/docket/4654-NGrid-EEPP-2017(10-17-16).pdf).

⁶ EERMC's Proposed Energy Efficiency Savings Targets and Least Cost Procurement Standards (hereinafter EERMC's Proposed Targets and Standards) (Dec. 22, 2016) at 13-14; http://www.ripuc.org/eventsactions/docket/4684-EERMC-TargetsStandards_12-22-16.pdf.

called “base potential.”⁷ The process also projected additional savings potential, not offered by National Grid’s current energy efficiency programs, but which could reasonably provide some future savings, called “evolving potential.”⁸ Quantifying evolving potential included an assessment of market transformation, codes and standards development, technological advancements, and innovation.

The EERMC Consultants proposed the following energy savings targets, which are expressed as a percentage of 2015 electric and natural gas sales and as units of power:⁹

Targets	2018	2019	2020	2018-2020
Electric (MWh)	202,166	194,678	187,191	584,035
<i>% of 2015 Sales</i>	<i>2.70%</i>	<i>2.60%</i>	<i>2.50%</i>	<i>2.60%</i>
Natural Gas (MMBtu)	409,513	421,799	429,989	1,261,301
<i>% of 2015 Sales</i>	<i>1.00%</i>	<i>1.03%</i>	<i>1.05%</i>	<i>1.03%</i>

On December 8, 2016, the EERMC adopted the proposed targets for electric and gas savings that National Grid energy efficiency programs should plan to achieve in the years 2018, 2019, and 2020.¹⁰

III. EERMC’s Proposed LCP Standards

The EERMC’s proposed LCP Standards identify the energy efficiency program plan components to include: program design, funding, program descriptions, monitoring and evaluation, and reporting requirements.¹¹ They were developed in consultation with

⁷ EERMC’s Proposed Targets and Standards at 3.

⁸ EERMC’s Proposed Targets and Standards at 15-17.

⁹ *Id.* at 22. Electric sales for 2015 totaled 7,487,623 MWh. *Id.* at 21. Natural gas sales for 2015 totaled 40,951,320 MMBtu. *Id.* at 22.

¹⁰ *Id.* at 2.

¹¹ *Id.* at 3.

National Grid, EERMC Consultants, OER, the Division, and Acadia Center.¹² The revisions were also presented to the entire Collaborative for review and input.¹³ The proposed LCP Standards define the role of the EERMC as active in assisting National Grid to develop the annual energy efficiency program plan and ensuring that the state’s ratepayers benefit from implementation of the plan.¹⁴ Additionally, the proposed LCP Standards modify the Total Resource Cost Test, which is used to evaluate the cost-effectiveness of energy efficiency, to more fully reflect Rhode Island’s policy objectives “with regard to energy, its costs, benefits, and environmental and societal impacts.”¹⁵ The LCP Standards direct National Grid, in collaboration with the EERMC, to propose specific benefits and costs for inclusion in the Rhode Island Benefit-Cost Test (Rhode Island Test).¹⁶ The EERMC acknowledged that the consideration of additional benefits in the Rhode Island specific cost-effectiveness test may “make some measures and programs that are now marginally cost-effective, more solidly cost-effective.”¹⁷

The proposed LCP Standards also address System Reliability Procurement (SRP) and address distributed targeted resources, renewables, combined heat and power, and demand response. The proposed revisions to SRP standards would allow more technologies and strategies to qualify as Non-Wires Alternatives (NWA) and allow more potential applications of NWAs to address system constraints.¹⁸ Currently, SRP authorizes the use of NWAs to defer an infrastructure project. The revised SRP standards

¹² *Id.* at 2-3.

¹³ *Id.* at 3.

¹⁴ *See Id.* at Section 1.6, p. 39-40. The LCP Standards require the EERMC to review and comment on the Three-Year and each Annual Plan prior to filing with the Commission. *Id.*

¹⁵ *Id.* at Section 2.1(B)

¹⁶ *Id.*

¹⁷ *Id.* at 24.

¹⁸ *Id.* at 26.

allow for consideration of NWAs that reduce the scope of an infrastructure project.¹⁹ The SRP standards modify the cost-effectiveness assessment by directing National Grid to conduct a separate benefit/cost analysis for the infrastructure project and the proposed NWA project, considering additional non-energy benefits, and compare the results.²⁰ The SRP standards also add new language authorizing National Grid, in consultation with the EERMC, to propose an SRP performance incentive.²¹

IV. National Grid's Comments

National Grid submitted written comments in support of EERMC's proposed Targets, offering that they adequately reflect the State's existing potential for cost-effective energy efficiency savings for the 2018-2020 period as required by the Least Cost Procurement Law.²² The Company reached this conclusion based on its review of the EERMC's "bottom-up savings potential analysis," its experience implementing the state's energy efficiency programs, and its collaboration with the EERMC in identifying the energy savings potential from its core programs.²³ The Company anticipated a modest increase in the budget from 2017 funding levels in order to achieve the proposed savings targets.²⁴

National Grid also expressed support of the EERMC's proposed LCP Standards and, in particular, broadening the cost-effectiveness test to better reflect the State's energy policy goals by capturing the full societal benefits of energy efficiency and

¹⁹ *Id.* at Section 2.3.

²⁰ *Id.* at Section 2.3(F).

²¹ *Id.*

²² Letter of Raquel J. Webster at 1- 2 (Feb. 21, 2017); [http://www.ripuc.org/eventsactions/docket/4684-NGrid-Support\(2-21-17\).pdf](http://www.ripuc.org/eventsactions/docket/4684-NGrid-Support(2-21-17).pdf). See also R.I. Gen. Laws §39-1-27.7.1.

²³ *Id.* at 2-3.

²⁴ *Id.*

demand response.²⁵ The Company commented that it would work with the Collaborative and the EERMC to propose in the three-year and annual energy efficiency plans specific benefits, costs, and other factors for use in the new Rhode Island Test.²⁶

V. Comments of OER and the Division

The OER and the Division (Agencies) submitted to the Commission joint written comments in support of both the proposed Targets and LCP Standards.²⁷ The Agencies asserted that the Targets represent aggressive but achievable levels of energy savings that will result in significant cost savings for Rhode Island’s electricity and gas customers while generating economic and environmental benefits for the State.²⁸ The joint comments expressed confidence in the analysis and process used to develop the savings targets which included input from a diverse stakeholder group that engaged in a rigorous vetting process.²⁹ Finally, the Agencies noted that costs and cost-effectiveness of achieving the savings targets are important parts of the planning process. While the proposed targets do not include budgets, the Agencies will work with the EERMC, National Grid, and the Collaborative to develop funding requirements for the Three-Year Plan and for each Annual Plan.³⁰

The joint comments also supported the proposed LCP Standards and offered that the new Rhode Island Test will consider environmental and economic development benefits, in recognition of “state policy objectives with regard to energy and its societal

²⁵ *Id.* at 3.

²⁶ *Id.*

²⁷ Letter of Carol J. Grant and Macky McCleary (Mar. 6, 2017); http://www.ripuc.org/eventsactions/docket/4684-OER-DPU-JointComments_3-6-17.pdf.

²⁸ *Id.* at 1.

²⁹ *Id.* at 2.

³⁰ *Id.*

impacts.”³¹ The Agencies commented that the proposed SRP standards facilitate the integration of distribution planning, energy efficiency procurement, and growing distributed energy resources.³² The Agencies noted that the proposed SRP standards require a more comprehensive accounting of the costs and benefits of NWA projects. Finally, the Agencies supported allowing National Grid to earn an SRP performance incentive, asserting that it “could help resolve the current incongruity where the utility earns a return on its capital projects, but not on SRP NWA solutions.”³³

V. Technical Record Session

On March 7, 2017, the PUC conducted a Technical Record Session to review the proposals.³⁴ EERMC representatives explained that the Targets did not include estimated budgets to achieve the savings because the Least Cost Procurement Law first requires an estimate of all achievable, cost-effective savings.³⁵ Subsequently, the Collaborative develops budgets and programs designed to achieve those savings as cost-effectively as possible.³⁶ In later testimony, the EERMC explained that increasing or decreasing costs are not considered when identifying achievable potential savings. Similarly, target setting would not consider whether the achievable potential savings are more or less expensive than in previous years.³⁷

³¹ *Id.* at 3.

³² *Id.* at 3.

³³ *Id.* at 4. *See also* R.I. Gen. Laws §39-1-27.7(e).

³⁴ Prior to the opening of this docket, the PUC held technical sessions on August 16, 2017 and November 30, 2016 to discuss the development of the targets and standards prior to the EERMC’s filing of these documents.

³⁵ Testifying on behalf of the EERMC were: Scudder Parker, Michael Guerard, and Gretchen Calcagni, and Abigail Anthony.

³⁶ Tr. at 33 (Mar. 7, 2017).

³⁷ Tr. at 49-50.

National Grid representatives³⁸ explained that the Company will provide in the Three-Year Plan and each Annual Plan increasingly detailed information regarding costs, bill impacts, and affordability.³⁹ These will be the basis of developing budgets, a process that involves extensive and robust negotiation among the Collaborative.⁴⁰ Finally, the Company noted that the Three-Year and Annual Plans are submitted to the Commission for review and approval.⁴¹ The EERMC later added that the affordability to ratepayers and bill impacts are part of these negotiations.⁴²

Discussing the development of the new Rhode Island Test, National Grid explained that approval of the proposed LCP Standards would authorize the Company to work with the EERMC and the Collaborative to develop the new cost-benefit test.⁴³ The Company stated that the 2018 Annual Plan and would include the value of carbon emissions reductions and state economic benefits in the cost-benefit analysis. The Company indicated that additional time was needed to complete evaluation studies that value broader, societal non-energy benefits. For this reason, new non-energy benefits would be included in the Rhode Island Test in the 2019 Annual Plan.⁴⁴

VI. PUC Suggested Revisions

On March 23, 2017, PUC staff offered clarifications to the LCP Standards based on items that were discussed in the Technical Record Session. On April 11, 2017, the EERMC filed revised LCP Standards with the PUC which were developed and supported by the Collaborative and which modified some of the language proposed by PUC staff.

³⁸ Testifying on behalf of National Grid were: Courtney Lane, Muxi Yang, Michael McAteer, Rachel Henschel, and Ryan Constable.

³⁹ Tr. at 66-67.

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² Tr. at 98-99.

⁴³ Tr. at 118-119.

⁴⁴ Tr. at 122-123.

The EERMC respectfully requested that the PUC adopt its version as the new, revised set of LCP Standards.

VII. PUC Findings

On April 27, 2017, the PUC voted unanimously to approve the Energy Efficiency Savings Targets proposed by the EERMC. The record showed that the Targets reasonably reflect Rhode Island's energy efficiency potential projected over the next three-year period from 2018-2020. The approach of assessing base and emerging potential savings appeared to be reasonable, well analyzed, and supported by National Grid and the Collaborative. Finally, the Commission pointed out that, consistent with prior years, National Grid will review the targets annually and revise them, if necessary.

The LCP Standards, as revised by the EERMC on April 11, 2017 were approved with modification. Cost-effectiveness testing is required by R.I. Gen. Laws § 39-1.27.7(c)(5). The record supports development of a new, Rhode Island focused cost-effectiveness test that better aligns spending with state policy objectives.⁴⁵ In particular, we rely on the joint comments of OER and the DPUC that the new Rhode Island Test will support State policy goals to integrate distribution planning, energy efficiency procurement, and growing distributed energy resources. In this order, the PUC is only approving the *development* of a Rhode Island-specific, cost-effectiveness test. Approval of the final design and application of that test will occur in the review of the three-year and 2018 annual energy efficiency filings.

⁴⁵ Recently, in Docket No. 4600, which was opened to assist the Commission in understanding, identifying, and measuring the costs and benefits caused by various activities on National Grid's distribution system, the PUC adopted a new Benefit-Cost Framework intended to review other utility spending in the future. See PUC Docket No. 4600; <http://www.ripuc.org/eventsactions/docket/4600page.html>.

To better understand the effect of the Rhode Island Test, National Grid shall measure energy efficiency cost-effectiveness using both the Total Resource Cost Test and the Rhode Island Test for each Annual Plan for 2018-2020. The impacts of the new Rhode Island Test are not yet clear, but may result in higher budgets and higher system benefit charges. As the EERMC candidly acknowledged, the Rhode Island Test may result in some programs that were marginally cost-effective being identified as more solidly cost effective. Given the uncertainty, it is prudent to require a comparison of the two cost-effectiveness tests in each of the 2018, 2019, and 2020 Annual Plans.

With regard to language suggested by PUC staff that non-wire alternatives may address load and generation, the Commission believed that the language strengthened and clarified the guidelines for system reliability procurement, was not redundant, and did not appear to impact the substance of the provision. Therefore, Section 2.2 shall be amended to include the following language: NWA, including partial NWA, may be procured to meet distribution system needs of both load and generation.

Transparency in designing and implementing performance incentives to drive National Grid toward state policy outcomes is of utmost importance. Transparency provides the foundation necessary to perform effective oversight to ensure a system of performance measurement based on clearly articulated and carefully crafted metrics. An open process will allow the PUC, the Division, OER, the EERMC, and all the stakeholders to track National Grid's progress toward the achievement of those outcomes, and to modify them if necessary. As such, the following language shall be included in Sections 1.5(C) and 2.6(F): The design of the performance incentives shall be clear and focused, have clear metrics for determining performance, not duplicate incentives, and

not provide multiple or different incentives for attaining the same objective. The proposals are adopted as proposed, but including the described modifications.⁴⁶ The Standards as approved herein are attached as Appendix A.⁴⁷

Accordingly, it is hereby

(23446) ORDERED:

1. The Energy Efficiency and Resource Management Council proposed Least-Cost Procurement Standards filed with the Commission on April 11, 2017, are approved subject to the following modifications:
 - a. On page 3, Section 1.2(B)(vi), insert the following language: The distribution company shall measure cost effectiveness according to the Rhode Island Test. In order to assess the impact of adopting the Rhode Island Test, the distribution company shall provide a comparison of its cost-effectiveness analysis under the Total Resource Cost (TRC) Test, as approved by the PUC in Docket No. 4580, to the Rhode Island Test, as adopted in this proceeding as part of its 2018-2020 Three-Year Plan and for each 2018, 2019 and 2020 Annual Plan filing.
 - b. On page 9, Section 1.5(C) and page 18, Section 2.6(F), insert the following language: The PI shall state clearly each specific objective it is designed to direct the distribution company to achieve and the reason it is needed to do so. The design of the PI shall be clear and focused, have clear metrics for determining performance, not duplicate incentives, and

⁴⁶ For ease of reading, non-substantive changes, such as numbering and punctuation, have been made. The parties to this docket were afforded an opportunity to review these changes and no objections were noted.

⁴⁷ These Standards are available on the Commission Docket Menu at http://www.ripuc.org/eventsactions/docket/4684-LCP-Standards_7-27-17.pdf and the Commission Rules and Regulations at http://www.ripuc.org/rulesregs/commrules/4684-LCP-Standards_7-28-17.pdf.

not provide multiple or different incentives for attaining the same objective.

c. On page 11, Section 2.2(A), insert the following language: NWA, including partial NWA, may be procured to meet distribution system needs of both load and generation.

2. The Energy Efficiency and Resource Management Council's proposed Energy Efficiency Savings Targets filed with the Commission on December 22, 2017 are approved.

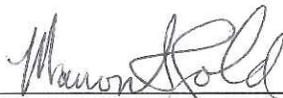
EFFECTIVE AT WARWICK, RHODE ISLAND, ON APRIL 27, 2017, PURSUANT TO AN OPEN MEETING DECISION ON APRIL 27, 2017. WRITTEN ORDER ISSUED MARCH 5, 2019.

PUBLIC UTILITIES COMMISSION



Margaret E. Curran, Chairperson

*Herbert F. DeSimone, Jr., Commissioner



Marion S. Gold, Commissioner



*Commissioner DeSimone concurred with the decision but is unavailable for signature.

Notice of Right of Appeal: Pursuant to R.I. Gen. Laws § 39-5-1, any person aggrieved by a decision or order of the PUC may, within 7 days from the date of the Order, petition the Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or Order.