
Memorandum

TO: RHODE ISLAND PUBLIC UTILITIES COMMISSION

FROM: SYNAPSE ECONOMICS ON BEHALF OF THE DIVISION OF PUBLIC UTILITIES

DATE: JULY 13, 2018

RE: RESPONSE TO RECORD REQUEST 12

Request:

RR-12 to the Division: Please have Mr. Woolf explain how the RI Test, Energy Efficiency Test, and 4600 Cost Benefit Test are similar and how they are different.

Response:

The table below provides a summary of the different cost-effectiveness tests used in Rhode Island recently. The table includes a condensed version of the impacts (costs and benefits) that were approved in Docket 4600.

The “Former EE Test” was used for many years prior to the completion of Docket 4600. It includes all utility-system impacts and all participant impacts. This test is commonly referred to as the Total Resource Cost test.

The “Rhode Island Test” was developed in docket 4600 by expanding the Former EE test to include a variety of additional impacts: environmental impacts, jobs and economic development, societal low-income impacts, public health impacts, and energy security impacts. The test was also expanded to be applicable to all types of distributed energy resources. This test is commonly referred to in other states as the Societal Cost test.

The Rhode Island Test was applied in developing the 2018 Energy Efficiency Plan. However, there are several impacts that were not included in the 2018 Energy Efficiency Plan because the inputs were not available at the time the plan was prepared.

Similarly, the Rhode Island Test was applied in benefit-cost analysis (BCA) used in the National Grid rate case. Again, several impacts were not quantified because they were not available at the time the rate case was prepared. Some of those inputs that were not quantified were addressed qualitatively by the

Company. The Company summarizes these under the headings of societal, economic, educational, and environmental benefits.¹

Note that the Division has prepared a draft report describing the methodologies that can be used to develop inputs for the Rhode Island Test. This draft report was prepared pursuant to the Commission's order in Docket 4600. This draft report includes initial recommendations on cost-effectiveness methodologies. The draft report offers suggestions for how to quantify some benefits that have been addressed qualitatively to date. The Division intends to submit this report to the Commission, to obtain stakeholder input on the recommendations, to modify any recommendations as appropriate, and to ultimately obtain the Commission's approval of the methodologies. This draft report was not completed prior to the commencement of the National Grid rate case for stakeholder comment and review by the Commission; therefore, the Division has not yet formally submitted it to the Commission for application.

¹ Schedule PST – 1, Chapter 2, page 37.

Rhode Island DER Cost-Effectiveness Frameworks.

Level of Impact	Cost or Benefit	Former EE Test (TRC Test)	RI Test (Docket 4600)	Used in NG Rate Case
Costs				
Power Sector	Utility Administration Costs	Yes	Yes	Yes
	Utility Measure Costs	Yes	Yes	Yes
	Utility Shareholder Incentives	Yes	Yes	Yes
	Increased Transmission Costs	Yes	Yes	Yes
	Increased Distribution Costs	Yes	Yes	Yes
Customer	Participant Measure Costs	Yes	Yes	Yes
	Participant Non-Energy Costs	Yes	Yes	Yes
Societal	Third Party Developer Costs	---	Yes	Yes
	Other Societal Costs	---	Yes	Yes
Benefits				
Power Sector	Reduced Energy Costs	Yes	Yes	Yes
	Reduced Generation Capacity Costs	Yes	Yes	Yes
	Reduced Transmission Costs	Yes	Yes	Yes
	Reduced Distribution Costs	Yes	Yes	Yes
	Reduced Ancillary Services Costs	---	Yes	---
	Wholesale Market Price Suppression Effect	Yes	Yes	Yes
	Reduced REC Costs	Yes	Yes	Yes
	Reduced GHG Compliance Costs	Yes	Yes	Yes
	Reduced Environmental Compliance Costs	Yes	Yes	Yes
	Utility Non-Energy Benefits	Yes	Yes	Yes
	Reduced Risk	---	Yes	Qualitative
	Innovation and Market Transformation	---	Yes	Qualitative
Customer	Participant Water and Other Fuels Impacts	Yes	Yes	Yes
	Participant Non-Energy Benefits	Yes	Yes	Yes
	Low-Income Participant Non-Energy Benefits	Yes	Yes	Yes
	Customer Empowerment	Yes	Yes	Yes
Societal	Reduced GHG Emissions	---	Yes	Yes
	Reduced Other Environmental Impacts	---	Yes	Qualitative
	Economic Development Impacts	---	Yes	Qualitative
	Societal Low-Income Benefits	---	Yes	Qualitative
	Public Health Benefits	---	Yes	Qualitative
	Energy Security Benefits	---	Yes	Qualitative

A “Yes” indicates that the impact was quantified. A “Qualitative” indicates that the impact was addressed qualitatively.