



For a thriving New England

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May 13, 2019

By Electronic Mail

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

Re: Docket 4943 - Guidance Document Regarding Principles to Guide the Development and Review of Performance Incentive Mechanisms

Dear Ms. Massaro:

For filing in the above-referenced docket enclosed please find the comments of Conservation Law Foundation.

Thank you for your attention to this matter.

Sincerely,

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

In re: Guidance Document Regarding Principles to Guide
the Development and Review of Performance Incentive
Mechanisms

Docket 4943

COMMENTS OF CONSERVATION LAW FOUNDATION

Conservation Law Foundation (“CLF”) appreciates this opportunity to provide comment to the Public Utilities Commission (the “Commission”) on its Guidance Document Regarding Principles to Guide the Development and Review of Performance Incentive Mechanisms.

CLF is a nonprofit, member-supported advocacy organization that works to solve the environmental problems that threaten the people, natural resources, and communities of New England. CLF has a decades-long record of advocacy in support of clean and efficient energy production in New England. CLF’s advocates have deep expertise in renewable energy law and policy as well as mitigation of the environmental impacts of renewable energy development. CLF and its members have a strong interest in promoting policies that maximize greenhouse gas (“GHG”) emissions reductions and minimize costs for Rhode Island electricity consumers.

CLF commends the Commission for its proactive effort to establish a consistent set of policies to aid in the evaluation of performance incentive mechanism (“PIM”) proposals. This guidance will aid not only the Commission, but also public utilities and other stakeholders seeking to craft well-designed PIM proposals that are more likely to be found consistent with regulatory standards.

The enumerated principles are sensible and represent a good starting point for the creation of a more comprehensive guidance document. CLF agrees broadly that the use of PIMs

is appropriate where PIMs are necessary to better align utility performance with the public interest; that PIM proposals should be designed to maximize transparency and allow for rigorous cost-benefit analysis; that PIMs should maximize ratepayers' share of benefits; that ratepayers should be asked to offer the utility no more than necessary to align utility performance with the public interest; and that PIMs should not be redundant. However, CLF is concerned about the application of these principles to PIMs that incentivize GHG emissions reductions and other environmental benefits.

Climate change is an emergency, one that requires urgent action to avoid dire and irreversible consequences. It "impacts all aspects of Rhode Island's well-being – infrastructure, economy, health, and environment."¹ Rhode Island is attempting to confront the problem, targeting GHG emissions reductions of 45% below 1990 levels by 2035 and 80% below 1990 levels by 2050.² The most recent analysis from the Intergovernmental Panel on Climate Change indicates that even more ambitious targets are necessary to avoid the catastrophic effects of warming beyond 1.5°C, calling for net zero emissions by 2050.³ Public utilities have a vital role to play in the transition to a carbon-free future. This includes the procurement of clean, renewable sources of energy, as well as the development of charging infrastructure for electric vehicles,⁴ and the modernization of our electric distribution system to adapt to new clean energy technologies and improve system efficiencies.

¹ See R.I. Exec. Climate Change Coordinating Council, *Annual Report 4* (2017), available at <http://climatechange.ri.gov/documents/ec4ar17.pdf>.

² R.I. Gen. Laws § 42-6.2-2(a)(2).

³ See Intergovernmental Panel on Climate Change, Global Warming of 1.5°C: Summary for Policymakers (2018), available at https://www.ipcc.ch/site/assets/uploads/sites/2/2018/07/SR15_SPM_version_stand_alone_LR.pdf.

⁴ In Rhode Island, cars, trucks, and other equipment contributed 40 percent of the State's emissions in 2015, more than any other source. R.I. Exec. Climate Change Coordinating Council, *Rhode Island Greenhouse Gas Emissions Reduction Plan 8* (Dec. 2016), available at <http://climatechange.ri.gov/documents/ec4-ghg-emissions-reduction-plan-final-draft-2016-12-29-clean.pdf>.

The Memorandum expresses skepticism as to the appropriateness of PIMs as a mechanism for incentivizing non-cash quantitative and qualitative benefits, noting the risk to customers should such a benefit be valued incorrectly. The document puts forth GHG emissions reductions as an example of a benefit for which value cannot be calculated with certainty. While it is entirely reasonable and appropriate for the Commission to consider and protect ratepayers from the risks of such uncertainty, CLF urges that this risk be weighed as one factor when evaluating costs against quantitative and qualitative benefits, and not be treated as a reason not to consider such proposals. There are likely to be cases where some degree of uncertainty exists as to the value of a benefit, but there is still a high degree of certainty that that benefit is worth the cost to ratepayers. PIMs involving quantitative and qualitative benefits inherently contain some level of risk, but there are also risks to being overly risk-averse—namely the opportunity cost of rejecting beneficial transactions.

The 2017 Power Sector Transformation Report, co-authored by the Commission, recommends “shifting the traditional utility business model away from a system that rewards the utility for investment without regard to outcomes towards one that relies more upon performance-based compensation.”⁵ CLF agrees, and believes that it is critical that Rhode Island move towards a regulatory regime that aligns the incentives of its public utility with customer and public policy objectives, particularly at a time when public utilities have such an important role to play in the fight to decarbonize our economy and avoid the worst impacts of climate change.

⁵ R.I. Div. of Pub. Utils. and Carriers, R.I. Office of Energy Res., R.I. Pub. Utils. Comm'n, *Rhode Island Power Sector Transformation: Phase One Report to Governor Gina M. Raimondo* 9 (Nov. 2017), available at http://www.ripuc.org/utilityinfo/electric/PST%20Report_Nov_8.pdf.

CLF would once again like to thank the Commission for its proactive effort to establish policies to aid in the evaluation of PIM proposals, and for the opportunity to comment.

Respectfully submitted,

CONSERVATION LAW FOUNDATION

By its attorney,



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Dated: May 13, 2019