Raquel J. Webster
Senior Counsel

June 15, 2020

BY ELECTRONIC MAIL

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

RE: Docket 5015 – Review of Least Cost Procurement Standards (LCPS)
<u>National Grid's Comments</u>

Dear Ms. Massaro:

On behalf of National Grid,[1] I have enclosed the Company's second round of comments in the above-referenced matter.[2] The Company submitted its first round of comments in this matter on March 12, 2020.

Thank you for your attention to this filing. If you have any questions, please contact me at 781-907-2121.

Sincerely,

Raquel J. Webster

Enclosure

cc: Docket 5015 Service List
Jon Hagopian, Esq.
John Bell, Division

[1] The Narragansett Electric Company d/b/a National Grid (National Grid or the Company).

[2] Due to the COVID-19 Pandemic emergency period, the Company is providing a PDF version of the above-referenced transmittal. The Company will provide the PUC with a hard copy and, if needed, additional hard copies at a later date.

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Please see below for National Grid's suggested edits to the Standards. These suggested edits will enhance the clarity of the Standards and the application to future Energy Efficiency and System Reliability Procurement dockets.

Page 1/2, Section 1.2(C), footnote 2:
Suggested change: ~~[2] A utility proposal to own and operate non-traditional investment or new operations and maintenance services, such as new voltage-regulation equipment, battery storage, or vegetation management, and any vendor services associated with such investment or service, shall not be considered System Reliability Procurement per this definition. Such investments and services are, however, still subject to the Guidance Document issued in Docket No. 4600A.~~

Rationale for change: National Grid still views company-owned NWA resources as falling under SRP contextually, programmatically, and in terms of docket, simply that the funding mechanism/cost recovery mechanism would differ whether an NWA is third-party owned and operated or company-owned and operated. The definition of System Reliability Procurement, as captured in these latest revisions and as the Company has historically understood it, is "Procurement to meet or mitigate a gas or electric distribution system need or optimization from a party other than the gas or electric utility…", National Grid sees any such procurement as falling within SRP, whether it results in company-owned or third-party owned ownership model.

Page 2, Section 1.2(D) and footnote 4:

Suggested change: ~~D. Utility Reliability Procurement~~
~~Procurement to meet or mitigate a gas or electric distribution system need or optimization that is not System Reliability Procurement and thus represents a utility-only investment or expenditure.[4]~~

~~[4] For example, many such Utility Reliability Procurement investments and operations are proposed in annual Infrastructure, Safety, and Reliability Plans filed pursuant to R.I. Gen. Laws § 39-1-27.7.1(c)(2).~~

Rationale for change: The Company recommends referencing the standard option directly in the LCP Standards where applicable, in place of "Utility Reliability Procurement."

Page 3, Section 1.2(N):
Suggested change: N. Annual Energy Efficiency and Conservation Procurement plan
An annual Energy Efficiency and Conservation Procurement Plan spanning one year filed by the gas and electric distribution companies with the PUC pursuant to R.I. Gen. Laws §~~§~~ 39-1-27.7(c)(5).

Rationale for change: The Company made the addition above to correct what appeared to be an inadvertent omission/typographical error.

Page 3, Section 1.3(A):

Suggested change: A. Least-Cost Procurement shall be cost-effective, reliable, prudent, and environmentally responsible. Least-Cost Procurement that is Energy Efficiency and Conservation Procurement shall also be lower than the cost of additional energy supply. System Reliability Procurement shall be lower than the cost of the ~~best alternative Utility Reliability Procurement~~ best-fit standard option.

Rationale for change: The Company recommends referencing the standard option directly, in line with the comment on 1.2.D footnote 4.

Page 5, Section 1.3(F):
Suggested change: ii. The distribution company shall assess how the investment affects ~~pollution~~ greenhouse gas and criteria pollutant emissions, where applicable, at a ~~local, regional, and global~~ scale based upon standard regional methods or information.

Rationale for change: There is limited ability to assess an investment's pollution impacts beyond the regional level with accuracy. Assessing the impacts of an investment at the local and regional level may be more appropriate and consistent with regional efforts such as the Regional Greenhouse Gas Initiative (RGGI), emissions reports as generated by ISO New England, or the regional Avoided Energy Supply Components in New England (AESC 2018) study.

Page 6, Section 1.3(H):
Suggested change: H. Lower than the cost of the ~~best alternative Utility Reliability Procurement~~ best-fit standard option.

Rationale for change: The Company recommends referencing the standard option directly, in line with the comment on 1.3.A and 1.2.D footnote 4.

Page 6, Section 1.3(H)(i):
Suggested change: i. The distribution company shall compare the cost of System Reliability Procurement measures, programs, and/or portfolios to the cost of the ~~best alternative Utility Reliability Procurement~~ best-fit standard option using all applicable costs enumerated in the RI Framework. The distribution company shall provide specific costs included in the Cost of Energy Supply or ~~and~~ the Cost of Energy Efficiency or Conservation.

Rationale for change: The Company recommends referencing the standard option directly, in line with the comment on 1.3.H, 1.3.A, and 1.2.D footnote 4. In addition, the Company deleted the extra word "and", which appears to be a typographical error.

Page 6, Section 1.3(H)(iii):
Suggested change: iii. The distribution company shall describe which costs in the RI Framework were included in the cost of System Reliability Procurement and which costs are included in the ~~alternative Utility Reliability Procurement~~ best-fit standard option. For any categories that are

not included in either, the distribution company shall describe why these categories are not included.

Rationale for change: The Company recommends referencing the standard option directly, in line with the comment on 1.3.H.i, 1.3.H, 1.3.A, and 1.2.D footnote 4.

Page 7, Section 2.2(A):
Suggested change: A. The purpose of the ~~The~~ Three-Year Least-Cost Procurement Report and Targets (Report) ~~shall serve as~~ is to provide guidance for Least-Cost Procurement proposed by the distribution company over the following three years. This includes proposals within and beyond plans defined in Section 1.2.~~K~~M and ~~J~~N.

Rationale for change: The LCP Statute provides that the Company "may" seek the advice of OER and the EERMC when developing Plans. See R.I. Gen. Laws § 39-1-27.7(c)(4). Removing "shall" from the above Standard will align better with the LCP Statute. The Company also corrected what appears to be incorrect paragraph references.

Page 8, Section 2.5(B):
Suggested change: B. At the conclusion of the public proceeding the PUC will order the adoption of three year targets for Energy Efficiency and Conservation Procurement that are consistent with ~~these Standards and~~ the Purposes of this Chapter.

Rationale for change: The Targets may not necessarily align with all the Standards but can still meet the purposes of the Report. For example, the Targets can be used as guidance for the Company when developing a Plan and be considered by the Commission when examining shared-savings mechanisms.

Page 9, Section 3.2(G):
Suggested change: G. Plan based on potential assessments. At a minimum, the distribution company shall use any Targets and other Report recommendations approved by the PUC pursuant to Chapter 2 as a resource in developing its Three-Year Plan. The distribution company ~~shall~~ may include in its Three-Year Plan an outline of proposed strategies to supplement and build upon these assessments of potential. The distribution company may also use other assessments or Report recommendations provided that such assessments or Report recommendations were not previously and specifically rejected by the PUC.

Rationale for change: The LCP Statute provides that the Company "may" seek the advice of OER and the EERMC when developing Plans. See R.I. Gen. Laws § 39-1-27.7(c)(4). Removing "shall" from the above Standard will align better with the LCP Statute.

Page 10, Section 3.2(J):
Suggested change: J. EE Plans ~~shall~~ may be developed to propose strategies to achieve the energy efficiency savings targets that shall be proposed by the Council and approved by the PUC for that three-year period. Such strategies shall secure energy, capacity, and system benefits and also be designed to ensure the programs will be delivered successfully,

cost-effectively, and cost-efficiently over the long term. In addition to satisfying other provisions of these Standards, the EE Plans shall contribute to a sustainable energy efficiency economy in Rhode Island, respond to and transform evolving market conditions, strive to increase participation and customer equity, and provide widespread consumer benefits.

Rationale for change: The LCP Statute provides that the Company "may" seek the advice of OER and the EERMC when developing Plans. See R.I. Gen. Laws § 39-1-27.7(c)(4). Removing "shall" from the above Standard will align better with the LCP Statute.

Page 10, Section 3.2(N):

Suggested change: Cost-effectiveness. The distribution company shall propose a portfolio of programs that is cost-effective. Any program with a quantified benefit-cost ratio greater than 1.0 (i.e., where quantified benefits are greater than quantified costs), should be considered cost-effective. Consistent with the PUC's guidance issued in Docket No. 4600A, qualitative benefits and costs may be considered in determining cost-effectiveness. The portfolio must be cost-effective and programs ~~must~~ should be cost-effective.

Rationale for change: The Company suggests maintaining the position of the current Standards, which indicate that portfolios must be cost-effective and programs should be cost-effective. In some circumstances, programs may not be cost-effective but they may provide support for key policy goals, enable participation in other programs or offerings, or accelerate a longer-term path to cost-effectiveness.

Page 11, Section 3.3(B)(i)(c)(1):

Suggested change: (1) The distribution company will develop an initial funding plan using, as necessary, the following sources of funding to meet the budget requirement of the Three-Year EE Plan and fulfill the statutory mandate of Least-Cost Procurement. The distribution company shall utilize, as necessary, prudent, and available, the following sources of funding for the efficiency program investments:

Rationale for change: There may be instances where funding is available and necessary to a measure but not prudent.

Page 12, Section 3.3(B):

Suggested change: ii. Performance Incentive Plan Structure

a. The distribution company will propose an incentive structure specific to the energy efficiency and conservation strategies in the EE Three-Year Plan and consistent with these Standards.

b. The following aspects related to the design and setting of a shareholder incentive for Energy Efficiency and Conservation Procurement will be determined in the Three-Year EE Plan:

~~(1) the shared savings percentage shareholders are eligible to earn;~~

~~(2)~~ (1) the costs and benefits that count toward calculating shared savings;

~~(3)~~ (2) the nature of achievement of goals (e.g., annual versus cumulative);
~~(4)~~ (3) if applicable, minimum and maximum savings thresholds in the form of percentages (e.g., 75% of the cumulative three-year goals); and
~~(5)~~ (4) if applicable, determination or definition of exogenous events that must be excluded from the final determination of the shareholder incentive.

c. Additional factors related to the shareholder incentive not listed in paragraph b above may be determined in the Three-Year or Annual EE Plans, if necessary.

Rationale for change: The Company suggests striking the requirement that the Performance Incentive Plan Structure establish the shared savings percentage shareholders are eligible to earn from the Three-Year Plan. Rather, the Company believes that while it is appropriate to lock the performance incentive structure for the term of the three-year plan, it is not necessary (and, in fact, could have significant unintended consequences) to also lock the specific percentage payout rate within the three-year plan.

Instead, the Company believes that this payout rate should be determined on an annual basis in the Annual Energy Efficiency Plans, in order to align target absolute performance incentive opportunities with the other relevant variables that are determined and approved during the annual planning process. Total benefits are inextricably linked to savings goals and budgets, and to the extent that there is value in revisiting those parameters on an annual basis there may also be value in reviewing the appropriate share of those benefits that the Company should be eligible to retain. An annual opportunity to review the shared savings percentage protects all parties on several dimensions:

1) From unanticipated consequences of changes to exogenous factors that may not be apparent at the time of the Three-Year Plan. Absent this opportunity to adjust payout rates, such changes could lead to significant volatility in performance incentive earnings (and costs to customers) for benefit values that are not directly linked to Company performance or achievement of outcomes.
2) In addition, given potential variability in planned benefits between years within a three-year plan, a fixed payout rate over the full term of a Three-Year Plan could lead to large variations in Company performance incentive earning opportunities between individual years of a three-year plan. For example, the planned benefits in the 2020 annual plan are 66% larger than the planned benefits in the 2018 annual plan, partially driven by an update to the economic multipliers used in the RI Test. Had a fixed shared savings percentage been in place during the 2018-2020 Three-Year Plan period, the performance incentive opportunity between years would have grown by 66% in just two years. This variability would have required a corresponding increase in customer collections to fund this growth – while such volatility in surcharges is sometimes unavoidable, as a general rule greater stability in surcharge levels is in the interest of Rhode Island ratepayers. Having the ability, when necessary, to adjust the shared savings percentage on an Annual Plan basis would allow stakeholders to propose, and the

Commission to approve, an absolute performance incentive earning opportunity that appropriately aligns Company shareholder and customer interests and appropriately incentivizes desired behaviors and outcomes from the Company's efforts, while minimizing potential annual variations in the cost of this incentive to customers.

Page 13, Section 3.3(B)(iv)(a):

Suggested change:

a. The distribution company will prefile testimony on the following:

~~(3)~~ (1) Cost-Effectiveness of measures, programs, and portfolios (to the extent measures and programs are identified by the distribution company);
~~(4)~~ (2) Prudence;
~~(5)~~ (3) Reliability;
~~(6)~~ (4) Environmental Responsibility; and
~~(7)~~ (5) Cost of Additional Supply compared to the Cost of Energy Efficiency or Conservation measures, programs, and portfolios (to the extent such measures and programs are identified by the distribution company).

Rationale for change: Number list format error.

Page 14, Section 3.4 (B):

Suggested Addition: xiii. The Annual Plan shall identify the shared savings percentage shareholders are eligible to earn based on the Performance Incentive Plan Structure established in the EE Three-Year Plan.

Rationale for change: Consistent with the proposed edit to Section 3.3(B) ii. b., the shared savings percentage shareholders are eligible to earn would be established in the Annual Plan to be consistent with the detailed planning process undertaken on an annual basis and in consistency with the binding savings goals and budgets established on an annual basis.

Page 17, Section 3.4 (C):

Suggested change: iv. The PUC will order adoption of an annual shared savings percentage shareholders are eligible to earn.

Rationale for change: The Company made this change to make the language consistent with the proposed edit to Section 3.3(B) ii. b. and proposed addition to Section 3.4 (B) xiii.

Page 18, Section 4.3(C):

Suggested change: C. The Three-Year SRP Plan should be designed so that potential non-utility solution providers can understand how and when the distribution company makes decisions to implement System Reliability Procurement in lieu of ~~Utility Reliability Procurement~~ the best-fit standard option.

Rationale for change: The Company recommends referencing the standard option directly, in line with the comment on 1.3.H.iii, 1.3.H.i, 1.3.H, 1.3.A, and 1.2.D footnote 4.

Page 20, Section 4.6:
Suggested change: The distribution company will file the Three-Year SRP Plan on or before ~~November 21~~ December 7, 2020 and triennially thereafter.

Rationale for change: Changing the deadline requirement to December 7 would be best for schedule/timeline coordination. The November EERMC meeting is November 19 this year, which does not leave enough time to confirm and collect signatures from the settling parties with a November 21 filing date (or, operationally-speaking, Friday November 20). Therefore, voting would have to occur in October, losing a month in the development timeline.

Page 22, Section 6.2(C):
Suggested change: C. The Council shall vote whether to endorse the Three-Year EE Plan by August ~~15~~ 20, 2020, and triennially thereafter, unless the distribution company has elected to include the first year of an Annual EE Plan in the Three-Year EE Plan, in which case the Council shall vote by ~~September 15~~ October 1. If the Council does not endorse the Three-Year EE Plan, then the Council shall document the reasons and submit comments on the Three-Year EE Plan to the PUC for their consideration in final review of the Three-Year EE Plan.

Rationale for change: In the current schedule, assuming separate Three-Year and Annual filings, the EERMC is scheduled to vote on the three-year EE Plan on August 20, 2020. For consistency with this established and negotiated schedule the Company requests the LCP Standards be changed to reflect this date. For a situation in which the Company chooses to exercise its option under these revised Standards and therefore file the first year of an Annual EE Plan with the Three-Year EE Plan, the Company requests that the Standards indicate a vote date by the EERMC that is closer in line with current practice where the EERMC votes approximately two weeks prior to the filing deadline (October 15). This change would allow for additional time in the preparation of the plans.

Page 22, Section 6.2(D):
Suggested change: D. The distribution company shall, in consultation with the Council, propose a process for Council input and review of its EE Plans. This process is intended to build on the mutual expertise and interests of the Council and the distribution company, as well as meet the ~~oversight~~ monitoring responsibilities of the Council.

Rationale for change: The Council's powers are listed in R.I. Gen. Laws § 42-140.1-5. The Statute uses the word "monitor" plans.

Page 23, Section 6.3(C):
Suggested change: C. The Council shall vote whether to endorse the Three-Year SRP Plan by ~~October 21~~ November 19, 2020 and triennially thereafter. If the Council does not endorse the Three-Year SRP Plan, then the Council shall document the reasons and submit comments on the

Three-Year SRP Plan to the PUC for their consideration in final review of the Three-Year SRP Plan.

Rationale for change: Changing the date requirement to November 19 based on the date for the EERMC's November meeting, in line with the comment on Section 4.6.

Page 23, Section 6.3(D):
Suggested change: D. The distribution company shall, in consultation with the Council, propose a process for Council input and review of its Three-Year SRP Plan and SRP Proposals. This process is intended to build on the mutual expertise and interests of the Council and the distribution company, as well as meet the ~~oversight~~ monitoring responsibilities of the Council.

Rationale for change: The Council's powers are listed in R.I. Gen. Laws § 42-140.1-5. The Statute uses the word "monitor" plans.

Page 23, Section 6.3(E):
Suggested change: E. The distribution company shall submit draft Three-Year Plans to the Council and the Division of Public Utilities and Carriers for their review and comment ~~annually~~ triennially, at least one week before the Council's scheduled vote. Draft annual reports related to the Three-Year Plan shall be submitted to the Council and Division of Public Utilities and Carriers two weeks before filing the report with the PUC.

Rationale for change: The Company made this change to correct what appears to be a typographical error.

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below.

______________________________ June 18, 2020

Joanne M. Scanlon Date

Docket No. 5015 – Least Cost Procurement Standards Review
Service list updated 5/29/2020

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