

Mr. Chris Powell
Chair, RI EERMC
c/o Becca Trietch
Rhode Island Office of Energy
One Capital Hill
Providence, RI 02908

August 31, 2017

Dear Chair Powell:

I write as follow up to the August 17 EERMC meeting to ensure you have our written testimony (attached) and expand on one issue addressed in it. The tenor and substance of the meeting made it clear that the EERMC does not view distributed generation as its purview or as a tool to drive down future electric costs for Rhode Island. One committee member acknowledged in his comments to you as Chair that he understood that EERMC does not see renewables as part of its charge. In responding to that member's comments you indicated that the only way for customers to respond to rapidly escalating supply rates is through efficiency.

The EERMC funds an able consultant to identify new ways to economize through efficiency but appears to have left it to National Grid to report to the Council that their system reliability procurement plan continues to find non-wires alternatives to be uneconomical given the test they are asked to apply. As you may be aware, that is the same utility that proposed to assess a fee for renewable energy projects to access the distribution system based on a wholly unsubstantiated assertion that distributed generation puts costs on the system with no analysis of its potential to provide for long-term savings. They ultimately withdrew that proposal and then that Docket (4568) led to Docket 4600 where the commission ordered a complete group of RI energy stakeholders, including EERMC's consultants, to evaluate how best to achieve least cost procurement across all energy decisions and programs. The result, which was supported unanimously by all stakeholders including the EERMC's representatives, was to recast the pursuit of "least cost procurement" as the drive for best long-term value in our energy policies and decisions. In that analysis, Rhode Island does not only consider short term cost but also vigorously studies and aggressively seeks out the best ratio of ultimate benefits to costs. The stakeholders uniformly agreed on a cost benefit analysis that includes twenty indicators of value to our distribution system, before even counting direct impacts on customers and consequential effects on society. How many of those indicators are weighed in the utility's evaluation of cost effective non-wires alternatives? As noted in the Division of Public Utilities and Carriers "Initial Considerations on Utility Compensation," issued on August 15, 2017, as part of the Power Sector Transformation process intended to be incorporated in EERMC's planning (see http://www.ripuc.org/utilityinfo/electric/UBM_8_16_2.pdf), "today's utility compensation framework creates a bias for one-way, capital-intensive solutions to fix identified constraints in the distribution system." Given that bias, is the utility fit to be administering system reliability procurement and evaluating the cost effectiveness of non-wires alternatives? I came away from last weeks meeting deeply concerned that we continue to miss opportunities to find the kind of value sought out in Docket 4600.

For our utility to discard the economic viability of distributed generation through outdated cost analyses is deeply detrimental to Rhode Island. It perpetuates a wires based future that our energy plan, Systems Integration RI process and PUC dockets direct us to overcome in order to reduce costs, increase energy security and provide environmental benefit. In the Power Sector Transformation session last week on utility business model and distribution system planning, the Division initiated the discussion by presenting a diagram showing the planned evolution from a centralized to a distributed energy system (see http://www.ripuc.org/utilityinfo/electric/UBM_8_16_1.pdf). That calls for the introduction of much more local renewables, not only to protect and sustain our environment but also to make our energy more secure and reduce its cost.

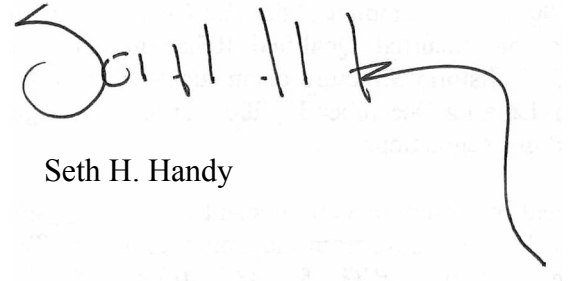
One challenge regarding the implementation of this promising energy future is that we have limited, existing legislative and administrative structure within which to see it done. As the SIRI report notes, the System Reliability Plan and the Infrastructure Safety and Reliability process are two important vehicles that need to be administered properly to realize the opportunity in that evolution. As the 3 year plan report notes, the Comprehensive Energy Conservation, Efficiency and Affordability Act of 2006 provides the statutory basis for Least Cost Procurement in the State of Rhode Island with purposes (1) to provide Rhode Island residents, institutions, and businesses the benefit of stability through diversification of energy resources, energy conservation, efficiency, demand management, and prudent procurement; (2) to facilitate the development of renewable energy resources; (3) to make the cost of energy more affordable by mitigating demand and rates charged to low-income households; and (4) to strengthen energy planning, program administration, management, and oversight in a manner that is publicly accountable and responsive. The Act specifies that the plan should include “measurable goals and target percentages for each energy resource, pursuant to standards established by the Commission, including efficiency, distributed generation, demand response, combined heat and power, and renewables.” Recognizing the potential economic benefits of cost-effective non-wires alternatives, R.I.G.L. § 39-1-27.7(a)(1) calls for standards for “system reliability” resources to include, but not be limited to: distributed renewable energy resources; cost-effective combined heat and power systems; and demand response designed to provide local system reliability benefits through load control or using on-site generating capacity. I don’t see these goals adequately reflected in the three-year plan as it relates to distributed generation. I see two paragraphs in the report containing vague statements about continued pursuit of pilots with added incentives and reduced benchmarks for the utility. Attachment 3, the system reliability plan, refers to the goals and benefits of pursuing non-wires alternatives and the intention to consider it, but does not indicate any real progress or benchmarks for future progress on implementation. On page 66, the plan refers to constrained circuit 38F1 in northwest Rhode Island and a need/opportunity for 2600 kilowatts of non wires alternatives – where is the request for proposal for realization of that opportunity? Where is the broader analysis of how non-wires alternatives can mitigate costs if implemented at scale, system wide? The road to an overly expensive energy system is paved with good intentions. As long as there is discord between our vision and the mechanics of administering our programs for the value we seek, we will continue to be set back in our pursuit of a cost effective and secure energy system.

Is the EERMC ready and willing to acknowledge and embrace the important role of distributed generation in energy security and value? If not, should Rhode Island consider putting jurisdiction over that element of planning under a body that has a broader charge than just to seek value in energy efficiency? Does National Grid have the neutrality, credentials and track record to properly and

effectively oversee implementation of system reliability planning, especially in the absence of consultant drive and oversight? How do we make the “least cost procurement” analysis of system reliability consistent with the value analysis stakeholders uniformly put forward in Docket 4600? What can be done to ensure we are conducting the proper value analysis and aggressively acting on every opportunity to manage costs and pursue long-term benefits through every tool in our toolbox?

I greatly appreciate all your leadership and the EERMC’s track record on efficiency. I look forward to the day we can better integrate comprehensive thinking on attacking the excessive cost of our energy system.

Sincerely,

A handwritten signature in black ink, appearing to read "Seth H. Handy", with a long, sweeping horizontal line extending to the right.

Seth H. Handy

cc. Erika Niedowski, Acadia Center
Kat Burnham, Peoples Power & Light