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## ACADIA CENTER COMMENTS

Acadia Center submits the following comments in response to the Public Utilities Commission's Notice to Accept Comments on Draft Guidance Document in Docket 4600-A. Acadia Center is a non-profit, research and advocacy organization committed to advancing the clean energy future, and is at the forefront of efforts to build clean, low carbon, and consumer-friendly economies. Our approach is characterized by reliable information, comprehensive advocacy, and problem solving through innovation and collaboration.

Acadia Center commends the Commission for opening Docket 4600, Investigation into the Changing Electric Distribution System and the Modernization of Rates in Light of the Changing Distribution System. The docket represents a proactive effort to establish a set of consistent ground rules for accommodating and accelerating a future with widespread local clean energy and a smart, dynamic electric system.

Acadia Center was one of 12 stakeholder groups that participated as full members of the 4600 Working Group, along with the Conservation Law Foundation, Direct Energy, George Wiley Center, National Grid, New Energy Rhode Island, Northeast Clean Energy Council, People's Power & Light, the Division of Public Utilities and Carriers, the Energy Efficiency and Resource Management Council, the Office of Energy Resources, and The Energy Council of Rhode Island. The stakeholder process, which included nine meetings from May 2016 to March 2017, was inclusive, comprehensive, and constructive.

As a member of the Working Group, Acadia Center helped develop the goals, rate design principles, and Benefit-Cost Framework adopted by the Commission in Order No. 22851, issued on July 31, 2017. We wish to reaffirm our support for the findings and recommendations in the Working Group's final report.<sup>1</sup> Notably, all the recommendations in the final report were by consensus, except the issue of whether the opt-out from time varying rates for default service should be to the competitive market or another default service option.

In addition to the specific comments below, Acadia Center wishes to comment on one overarching issue presented in the sections on Goals, Rate Design Principles, and the Benefit-Cost Framework. Each of these sections uses traditional regulatory language about the "proponent" of a particular proposal and the burden of proof. However, as processes at the PUC change over time, it may no longer be relevant to think in these terms. Proposals that result from collaborative processes may no longer have a "proponent" in the traditional sense. These collaborative processes help

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<sup>1</sup> See Docket 4600: Stakeholder Working Group Process Report to the Public Utilities Commission, April 5, 2017, available at: <http://www.raabassociates.org/Articles/RI%204600%20Final%20WG%20Report%204-5-17.pdf>.

level the playing field on both expertise and resources and should ensure that stakeholders have their input considered earlier in the process. The need for these types of process reforms should be reflected in the final version of the guidance document and the language used should be consistent with reforms along these lines.

### Goals

Acadia Center believes the overarching goals for Rhode Island's new electric system, developed by the Working Group and outlined in the draft guidance document, appropriately reflect the full range of interests and issues at hand. We agree that the Commission should consider how proposals advance, detract from, or do not impact the goals as it works to set just and reasonable rates across rate classes and programs.

### Rate Design Principles

The 4600 Working Group developed, by consensus, rate design principles aimed at providing a consistent set of measures to evaluate the reasonableness of a rate design.

Acadia Center supports the principles in the report, but has also advocated for more specific principles and short-term reforms. Based on UtilityVision,<sup>2</sup> Acadia Center's 2015 blueprint for utility reforms to achieve a fully integrated, flexible, and low carbon electric grid that empowers and protects consumers, Acadia Center has articulated the following four principles:

- Monthly customer charges should be no higher than the cost of keeping a customer connected to the grid and the related customer service, but can be kept lower based on public policy considerations.
- Other components of electricity rates can be reformed to better align customer incentives with cost drivers and the value they can provide to the system.
- Ratepayers must be able to understand significant reforms and have a basis on which to respond and manage bills.
- Self-generation consumed directly on-site should be treated the same as reductions in energy usage.

Acadia Center's principles are consistent with those from the Working Group report, but also provide a more specific framework for moving forward. In line with these principles, Acadia Center has proposed the following five near-term reforms:

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<sup>2</sup> UtilityVision is available at: <http://acadiacenter.org/document/utilityvision/>.

- Limit reliance on fixed customer charges;
- Implement Acadia Center’s “distribution reliability charge” proposal to begin to account for any proven cross-subsidies due to distributed generation installed by mass market customers;
- Offer opt-in time-of-use rates to all customers;
- Enable or maintain credit allocation for community distributed generation, with a robust low-income component; and
- Implement monetary crediting, begin to align net metering credits with ratepayer value, and remove caps on net metering.

These near-term reforms reflect gradualism, minimal additional metering costs and billing system upgrades, and several incremental steps to better reflect the costs and benefits of customer consumption patterns and exports from distributed generation. Certain steps, notably for community distributed generation and the structure of net metering, may require statutory changes. Other states, notably New York and New Hampshire, are already beginning processes to determine medium-term reforms for rate design and distributed energy resource compensation, and Acadia Center is continuing to develop ideas for next steps based on these processes. These medium-term steps could include:

- Default time-of-use rates for certain categories of customers, including time-of-use netting for distributed generation customers;
- Charging for embedded delivery system costs and public policy costs for imports and crediting for value to the delivery system for exports;
- Incremental avoided environmental and public health compliance costs can be credited for exports on a technology-specific basis; and
- Charges and credits corresponding to other portions of the electric system (e.g., energy and generation capacity) can be symmetric for imports and exports.

Acadia Center looks forward to discussing more concrete next steps on rate design and distributed energy resource compensation with other stakeholders in future Rhode Island proceedings.

### **Benefit-Cost Framework**

The 4600 Working Group developed a new Benefit-Cost Framework designed to help the Commission identify the:

- Costs and benefits that can be evaluated across any and all programs or policies
- Level at which and where physically on the system these costs and benefits can be quantified
- How to best measure such costs and benefits
- Visibility required to measure such costs and benefits

Acadia Center believes the Benefit-Cost Framework is a valuable framework for measuring the value of different energy resources under a range of conditions. For example, the framework can be used to analyze distributed energy resources, conventional distribution projects, grid modernization projects, and rate design proposals (including fixed

charges, demand charges, and time varying rates). The framework can also be used to make comparisons across resources, policies, or technologies.

Further, Acadia Center believes the framework is an appropriate starting point for assessing the business case of distribution system investment proposals before the Commission. We also agree with the guidance that the framework is not the only test that should be applied to proposals. Other factors may include statutory requirements; reliability and resiliency needs; customer equity issues; limited utility or customer funding; and rate impacts.

### **Pilots**

Although the topic of pilots was not explicitly raised in the Working Group report, Acadia Center supports the principles outlined for pilots in the draft guidance document.

### **Delayed Applicability**

The Commission proposes to exempt three program filings from the effects of the guidance document: the 2019 Standard Offer Service Procurement Plan and 2019 Renewable Energy Standard Procurement Plan; Report and Recommendations Relating to the 2018 Renewable Energy Growth Classes, Ceiling Prices, and Capacity Targets; and Docket No. 4290 LIHEAP Enhancement Fund Charge Filing for Calendar Year 2018.

The draft guidance document states that these proposals will be in development when the final guidance is formally adopted by the Commission. Acadia Center recognizes that incorporating new principles in any planning process midstream can potentially be problematic. However, we also note that some of the parties responsible for the filings listed above were full members of the 4600 Working Group, which completed its final report in April 2017.

Acadia Center is eager to see the agreed-upon principles and recommendations implemented as soon as is feasible in all proceedings. To that end, it appears reasonable that efforts that are currently underway, which will be implemented in 2018, can be reasonably exempted. However, proceedings that will begin in 2018 and take effect in 2019 could be reasonably expected to operate under the new framework.

### **Conclusion**

Acadia Center appreciates the opportunity to provide comment on the Docket 4600-A draft guidance document and looks forward to further collaboration on these issues.

### **For more information:**

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