



STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS

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**To: Luly Massaro, Commission Clerk
Rhode Island Public Utilities Commission**

**From: Joel Munoz, Assistant to the Chief Accountant
Division of Public Utilities & Carriers**

Date: April 26, 2024

**Re: R.I.P.U.C. Docket No. 23-47-EE, Rhode Island Energy's
2024-2026 System Reliability Procurement Three-Year Plan**

The Division of Public Utilities & Carriers (“Division”) reviewed Rhode Island Energy’s (“RIE” or the “Company”) 2024-2026 Three-Year System Reliability Procurement (“SRP”) Plan (the “Plan”), filed on November 17, 2023. As a ratepayer advocate, the Division focuses primarily on costs to ratepayers. Without any fully vetted investment projects and with no new enhancements to the Data Portal or the Market Engagement program, the Plan has a \$0 incremental cost to ratepayers. The Plan does have some noteworthy aspects that deserve comment from the Division.

First, the Company requests approval of its Evaluation Proposal.¹ The Evaluation Proposal is similar to the evaluation criteria found in previously filed SRP Plans and is reasonably consistent with the principles of cost-effectiveness, reliability, prudence, and environmental responsibility.² Two new aspects of this Plan include : 1) within its Evaluation Proposal, RIE would like to apply expected value as a sensitivity analysis in its benefits-cost assessment;³ and 2) RIE has identified a system need on a feeder in Woonsocket, Feeder 112W43, that has met the Non-Wires Alternative (NWA) screening criteria and the Company is currently evaluating a potential Non-Wires solution.⁴

¹ Plan, Section 2, Step 5 at Bates Page 93.

² Docket 5015 - Least-Cost Procurement Standards, Section 1.3 A.

³ RIE’s Joint Pre-Filed Direct Testimony at Bates Page 15.

⁴ Plan at Bates Page 59.

While the Division reserves its rights to comment on any specific SRP Investment and any benefits cost assessment performed on those investments at the time of filing, the Division looks forward to its continued participation in the SRP Technical Working Group to further explore this and any other potential opportunities to defer, reduce, or remove the need for traditional distribution wires and pipes investment in favor of Non-Wires and Non-Pipeline alternatives. The Division would need the opportunity to specifically evaluate the Feeder 112W43 project individually and weigh the costs and benefits if and when it's filed.

Second, the Company requests approval of its Performance Incentive Mechanisms ("PIM"). The Company requests approval of an initial sharing of created value on successfully implemented SRP solution of 80% to 20% split with the majority going back to ratepayers.⁵ RIE states that this split may not be appropriate for all investments and is amenable to modification of the sharing scheme on a case-by-case basis. RIE also proposes a minimum performance incentive for successful implementation of each SRP solution, which would be "commensurate with the lost return its shareholders would have earned on the best alternative utility reliability procurement solution".⁶ The Company asserts that the purpose of the minimum incentive is to remove any bias towards a particular solution. For example, a bias towards a wires solution if the shareholder return exceeds the potential performance incentive of a viable non-wire's alternative. However, the Division believes that the past precedent of the 80/20% shared savings where the consumer gets 80% and the Company gets 20%, should be adequate without any minimum compensation to the Company, especially given the Commission's mandate to allow for only prudently incurred expenses. Furthermore, a minimum performance incentive based on lost shareholder returns appears contrary to the Commission's stated desire in the Infrastructure Safety and Reliability ("ISR") plan to control cost overruns. RIE's proposal incorporates shareholder returns on capital additions that will not made by the company or subject to ISR Plan controls.

The PIM for demand response i.e. ConnectedSolutions is limited in scope to the reductions in regional coincident peak load achieved.⁷ The Company is not seeking approval of these investments or any associated PIM within this docket, but instead has filed separate Gas Demand Response Pilot (Docket 23-46-EE) and Electric Demand Response (Docket 24-06-EE). The Gas Demand Response Pilot was approved for one year and the Electric Demand Response filing is currently pending.

Third, RIE requests approval of annual reporting requirement by June 1 of each year covering activities completed in the previous calendar year.⁸ The Division supports the annual reporting requirements in order to evaluate costs, benefits, and progress of programs and measures, and we do not oppose a June 1 filing date.

The Division regards the filing as a guiding framework that will allow for a reasonable way of evaluating SRP investment proposals. The Division reserves its rights to question or suggest

⁵ RIE's Joint Pre-Filed Direct Testimony at Bates Page 23.

⁶ Plan at Bates Pages 65-66.

⁷ RIE's Joint Pre-Filed Direct Testimony at Bates Page 20.

⁸ Plan, Section 7.

changes to the processes and procedures found in the Plan, particularly when SRP investments are filed separately. The Division's participation in the SRP Technical Working Group will allow it to continue to monitor any investment proposal as it flows through the Plan, gain clarity on any unforeseen issues that may arise, learn best practices and alternatives, and suggest improvements within the Plan's framework.