

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

IN RE:	STANDARDS FOR ENERGY	:	
	EFFICIENCY AND CONSERVATION	:	
	PROCUREMENT AND SYSTEM	:	DOCKET NO. 3931
	RELIABILITY	:	

REPORT ON STANDARDS

I. Introduction

In 2006, the Rhode Island General Assembly passed legislation regarding least-cost procurement of energy by distribution utilities in Rhode Island. The legislation, codified as R.I. Gen. Laws § 39-1-27.7, requires the Public Utilities Commission (“Commission”) to establish standards for system reliability and energy efficiency and conservation procurement. The standards are intended to guide the distribution utilities in developing a plan for system reliability and energy efficiency and conservation procurement on or before September 1, 2008 and triennially thereafter. R.I. Gen. Laws §39-1-27.7.

On February 29, 2008, the Energy Efficiency and Resource Management Council (“EERMC”) filed proposed standards and recommendations as required by R.I. Gen. Laws §39-1-27.7(c)(1).¹ The proposed standards contained two sections: Energy Efficiency Procurement Standards that address the procurement of energy efficiency and conservation programs that are prudent and reliable when they are lower than supply

¹ Although the law specifies that the commissioner of the office of energy resources and the EERMC provide findings and recommendations to the Commission either jointly and/or separately, the Commission received only proposed standards from the EERMC. The Office of Energy Resources filed comments with the Commission subsequent to the filing of the proposed standards.

alternatives and System Reliability Procurement Standards that address the development and procurement of alternative power sources.²

The proposed Energy Efficiency Procurement Standards identify the plan filing dates and sets forth the Energy Efficiency Procurement Plan Components which include strategies and an efficiency performance incentive plan. These proposed standards also identify the Energy Efficiency Program Plan Components to include: program design, funding, program descriptions, monitoring and evaluation and reporting requirements. Finally, this section defines the role of EERMC as active in providing assistance to develop the program plan and ensuring that the state's ratepayers benefit from implementation of the plan. The proposed standards also discuss System Reliability Procurement and address distributed targeted resources, renewables, combined heat and power and demand response. Finally, the proposed standards address aligning utility incentives and reforming rates by proposing implementation of a decoupling mechanism³, reviewing standby rates and streamlining interconnection standards.⁴

II. Notice and Hearing

The Commission opened a docket to address the proposed standards and to establish the final standards as required by law. The Commission issued a Notice of Public Hearing regarding the proposed standards. The notice specified that the Commission would consider the proposed standards and comments received in response to the proposed Standards.⁵

² Exhibit 2, Proposed Standards and Cover Letter filed February 29, 2008.

³ "Decoupling" is a ratemaking mechanism that disconnects the relationship between sales volume and profits. See Exhibit 4.

⁴ *Id.*

⁵ Exhibit 1, Notice of Hearing.

A number of interested persons filed Motions to Intervene with the Commission. They included EERMC, the Rhode Island Office of Energy Resources (“OER”) Blue Water Wind, LLC, the Conservation Law Foundation, Environment Northeast and Cape Wind. National Grid (“NGrid”) also filed a letter with the Commission indicating that it believed it was a necessary party to the docket and thus intervention was unnecessary. None of the Motions to Intervene were objected to within ten (10) days of filing as required by Rule 1.13(e) of the Commission’s Rules of Practice and Procedure to cause the Commission to consider such motions and thus all were granted by operation of law.

Written comments were filed by all of the intervenor’s except for the Conservation Law Foundation. Additionally, the Commission received written comments from the Division of Public Utilities and Carriers (“Division”) and NGrid. All of the comments and reply comments were marked as full exhibits after no objection was raised by any of the parties as to their admissibility.⁶

NGrid provided comments agreeing with the proposed standards.⁷ The Division also agreed with the standards as proposed with the exception of inclusion of decoupling language, noting that “decoupling issues are best addressed in more traditional ratemaking venues.”⁸ Bluewater Wind and Cape Wind agreed with the proposed standards but want large scale renewable projects to be included as part of the standards.⁹ Additionally, Cape Wind recommended that long-term portfolio costs be included in the economic analysis and that the standards recognize environmental and economic

⁶ Exhibits 3-13.

⁷ Exhibit 3, Comments of National Grid filed April 23, 2008.

⁸ Exhibit 4, Comments of the Division of Public Utilities and Carriers filed April 24, 2008.

⁹ Exhibit 6, Comments of Blue Water Wind filed April 25, 2008; Exhibit 8, Comments of Cape Wind filed April 24, 2008.

development costs and benefits.¹⁰ Environment Northeast also provided comments supporting the standards.¹¹ Again on May 12, 2008, Environment Northeast filed comments agreeing with the position of the division but stressing that “[e]nergy efficiency and decoupling are inextricably linked” and recommending that the Commission adopt the decoupling language proposed by EERMC.¹²

The Rhode Island OER also filed comments.¹³ The detailed comments were identified by OER as being filed with “[t]he purpose of contribut[ing] to the discussion ultimately leading to the adoption of regulations. OER commented that EERMC’s recommendations made a number of good proposals. They, however, challenged a number of sections of the proposed standards. OER challenged the funding sources from System Benefits Charge (“SBC”), Forward Capacity Market (“FCM”) Revenues, proceeds from the sale of Regional Greenhouse Gas Initiative (“RGGI”) allowances and funding from any federal or international cap and trade legislation or policy. Additionally, OER requested that the standards provide guidance as to how the utility should balance cost benefit and risk and reliability. OER’s comments also included the statement that “[t]he Commission should not infer from OER’s decision not to specifically address a particular point or language of EERMC’s proposal in [the] comments that OER necessarily supports such point or language.”

¹⁰ Exhibit 8, Comments of Cape Wind filed April 24, 2008.

¹¹ Exhibit 7, Comments of Environment Northeast filed May 12, 2008.

¹² Exhibit 9, Comments of Environment Northeast in response to the Division’s Comments filed May 12, 2008.

¹³ The statute, R.I. Gen. Laws §39-1-27.7 requires the commissioner of the office of energy resources to file either separately or jointly with the EERMC findings and recommendations regarding system reliability and energy efficiency and conservation procurement. OER did not file findings and recommendations either separately or jointly with EERMC but filed detailed comments on the proposed standards filed by EERMC.

NGrid, Environment Northeast and NGrid, Environment Northeast and EERMC filed reply comments jointly. NGrid filed reply comments separately indicating that large scale wind resources may not become part of its portfolio unless they are the best, least-cost option. It indicated that wholesale power purchase plans should not be addressed in the Energy Efficiency and system Reliability Procurement.¹⁴ Environment Northeast also filed reply comments which agreed with the comments of the Division but recommending that the decoupling language as proposed be adopted by the Commission.¹⁵

NGrid, Environment Northeast and EERMC ("Group") also filed joint reply comments which addressed all of the other parties' comments. Regarding the comments filed by Bluewater Wind and Cape Wind, the Group stated that NGrid's Supply Procurement Plan which will be filed by March 1, 2009 will include large scale wind resources.¹⁶ Regarding the comments filed by the Division, the Group stressed that even though the design or rate adjustment mechanism of any decoupling must be approved by the Commission in another proceeding, the inclusion of the decoupling language in the standards is necessary for the EERMC and NGrid to begin working on properly aligning incentives and this will be important to the success of the Least Cost Procurement.¹⁷

The Group also filed reply comments to the comments submitted by OER. Regarding OER's comments about cross-subsidization, the Group responded that the principles in the proposed standards give sufficient guidance to a utility as it seeks to pursue all efficiency that is less costly than supply. OER further questioned whether the proposed standards allowed for individual programs not to pass the lower-cost test if the

¹⁴ Exhibit 13, Reply Comments of National Grid filed May 9, 2008.

¹⁵ Exhibit 9, Reply Comments of Environment Northeast filed May 12, 2008.

¹⁶ Exhibit 11, Reply Comments of EERMC, Environment Northeast and NGrid to Comments of Bluewater Wind and Cape Wind filed May 13, 2008.

¹⁷ Exhibit 10, Reply Comments of EERMC, Environment Northeast and NGrid to Comments of the Division filed May 13, 2008.

total of the programs passed the test. The Group responded that the language is clear that all programs are to pass the TRC cost effectiveness test. As for OER's recommendation that a downward "risk adjustment" factor be applied to program cost effectiveness measurement, the Group noted that it is only aware of a risk adjustment factor utilized in Vermont that raises the cost effectiveness estimates of efficiency programs as compared to supply alternatives in recognition of the risk reduction benefits. Additionally EERMC sees no need to change the current practice for program planning and establishment of savings targets and notes that OER's recommendation "would add bureaucratic complexity, discourage innovation, disregard the nature of efficiency resources, and fail to recognize the essential intelligence and flexibility required to move efficiency into the market place in a dynamic and effective manner."¹⁸

Lastly, the Group addressed OER's comments about the funding sources proposed by the standards. First the Group noted that the current practice of funding efficiency with the current demand side management ("DSM") charge of 2 mills should continue. It also pointed out that the EERMC recommendation reflects that the funding plan proposed identifies additional funding sources to be added to the DSM efficiency fund. Regarding the proceeds from the sale of RGGI allowances, the Group points out that EERMC's recommendation that the most cost effective use of these funds is energy efficiency. Finally, while acknowledging that there are no programs that currently exist regarding any federal or international cap and trade legislation or policy from which

¹⁸ Exhibit 12, Reply Comments of EERMC, Environment Northeast and NGrid to Comments of OER filed May 13, 2008.

funds can be allocated to expand energy efficiency programs, the Commission should establish a policy that would facilitate the use of such funds should they be established.¹⁹

Prior to the start of the hearing, the public was afforded the opportunity to comment and the Commission received oral and written comment from People's Power and Light ("PP&L"). Those comments included a request to carefully examine revenue decoupling and the risks of such to consumers or a poorly designed or implemented revenue decoupling mechanism. PP&L also suggested that the Commission consider a percentage of income plan or something similar to ensure all consumers access to energy.

During the hearing, which was held on May 14, 2008, EERMC was asked whether they believed that the legislation or standards applied to the Pascoag Utility District ("Pascoag") or Block Island Power Company ("BIPCo") as the cover letter accompanying the standards referred to NGrid. Sam Krasnow who spoke on behalf of EERMC indicated that he did not believe that Pascoag or BIPCo was subject to the conditions of the legislation.²⁰

During testimony regarding the proposed decoupling language, Mr. Krasnow proposed neutralizing the language and replacing the specific language proposed with language that allowed for mechanisms "such as decoupling."²¹ Carol White of NGrid explained that the programs are all part of the same package and that the current programs will be part of the least cost procurement when questions were posed regarding the funding of the programs and whether that funding would be competing with funds for existing programs.²² She noted that NGrid is looking to build off the current programs

¹⁹ *Id.*

²⁰ Transcript ("T.") of May 14, 2008 hearing at 42.

²¹ *Id.* at 46-50.

²² *Id.* at 58-59.

and that there will be an effect on customer bills for supporting these efforts.²³ She also pointed out that the per kilowatt charge may be a little higher but the intent is to eventually see lower overall bills for customers.²⁴

When questioned at the hearing about the meaning of the language that OER had provided in its comments indicating that its lack of objection to a particular section did not imply that it supported such section, OER was unable to respond.²⁵ The Commission directed OER to file with the Commission, in writing, a list of any sections of the proposed standards that it objected to and the reason for such objection because of the comment provided to the Commission that just because it didn't object to a section in the standards should not be inferred as support of the section.²⁶

After the hearing, the Commission received further comment. On May 21, 2008, Bluewater Wind, Cape Wind and NGrid filed joint comments noting that whether Least Cost Procurement included renewable supply sources was not considered at the time of the drafting of the proposed comments. These parties' joint comments requested the addition of language that would note the need to consider whether renewable supply sources should be included in Least Cost Procurement and report such to the Commission simultaneously with the November 1, 2008 filing. The joint comments also recommended removing the reference to small or medium renewable energy supply noting that these references assume that only small and medium renewable energy supply can provide system reliability benefits.

²³ *Id.* at 59.

²⁴ *Id.* at 60.

²⁵ *Id.* at 51-54.

²⁶ *Id.* at 63.

On May 19, 2008, the Commission received extensive comments from OER, most of which were not substantive and were not discussed either prior to or at the hearing where the other parties had the opportunity to provide testimony or explanation. For example, in OER's original comments filed on April 23, it supported EERMC's use of the TRC test. In its supplemental comments, OER changed this position, requesting the Commission to order further proceedings and have the test be determined at some later date. It also recommended deleting the sections of the proposed standards that allowed for decoupling and incentives noting that it was more appropriate to consider them in other proceedings.

NGrid, EERMC, ENE and the CLF filed reply comments to OER's comments. These parties requested that the Commission disregard these comments as violating the Commission's record request because they raise new clarifying arguments and new issues and subjects that it does not appear to oppose. These parties also provided detailed explanation as to why each of OER's points should be substantively rejected. Additionally, in these comments, NGrid, EERMC, ENE and the CLF stated that a "solution [was] worked about by the parties and Commission staff through a discussion at the May 14 hearing" regarding the issues surrounding decoupling. That is factually inaccurate. The parties were questioned by staff regarding decoupling and then EERMC proposed alternative language. That language was never agreed to by Commission staff as such an agreement would be improper.

III. Findings

On June 12, 2008, the Commission considered the proposed standards during an open meeting. Currently Pascoag provides its portfolio through its standard offer filings.

While the Commission cannot exempt Pascoag from the legislation, it will consider the portfolio submitted with its standard offer filing to be sufficient to comply with the requirements of the statute. Pascoag will continue to submit its portfolio through that process and verify to the Commission that it is procuring all energy efficiency that is less costly than supply.

The Commission also considered a number of the proposals made by the parties to modify the originally proposed standards. With regard to the proposal of NGrid, Bluewater Wind and Cape Wind to add language to consider whether renewable supply sources should be included in Least Cost Procurement and report such to the Commission simultaneously with the November 1, 2008 filing, the Commission believes that in light of the uncertainty surrounding state policy and the law regarding renewable energy supply, such language is necessary to insure that the standards include all required supply sources. Therefore, Section 1.1 C shall be added to the proposed standards. The Commission also notes the need for neutrality as to the size of renewables recognizing that system reliability enhancements can be achieved at both the distribution level and the transmission level. As such, the Commission approves the request to eliminate the references to small and medium renewable energy supply in Sections 2.2 A (1) and A (2).

In light of the fact that the Commission has a pending docket in which a party is requesting approval for a decoupling mechanism, the Commission does not believe it is appropriate at this time to include any references to decoupling in these standards. Prior to the Commission deciding on the issue of decoupling, the Commission will conduct an extensive investigation into this type of mechanism to ensure that the interests of all parties to a proceeding are evaluated and protected. Therefore, Sections 1.2B and 3.1

shall be eliminated from the proposed standards. As the Commission has previously addressed NGrid's Interconnection Standards in Docket No. 3904, Section 3.3 shall be eliminated. The Commission also believes that the proposed language in Chapter 2 prior to Section 2.1, Section 2.2(c) and Section 2.3(d) is unnecessary as it imposes no obligation on any party and therefore shall be eliminated. With exception to the above stated revisions, the remaining proposals shall be adopted as proposed.²⁷ The standards are attached hereto as Appendix A.

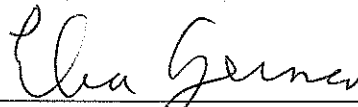
Accordingly, it is hereby

(19344) ORDERED:

1. The Proposed Standards filed by EERMC on February 29, 2008 shall be adopted by the Commission with the revisions noted above.

EFFECTIVE AT WARWICK, RHODE ISLAND ON JUNE 12, 2008 PURSUANT TO AN OPEN MEETING DECISION ON JUNE 12, 2008. REPORT ISSUED ON JULY 18, 2008.

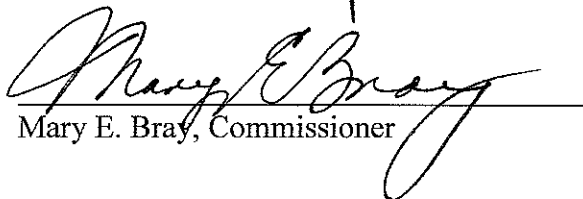
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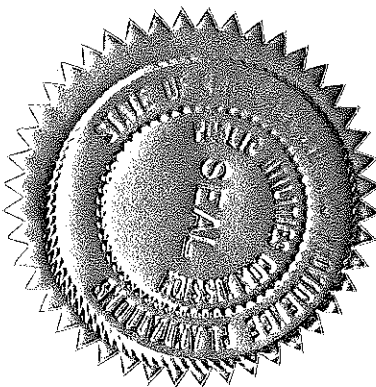
Elia Germani, Chairman



Robert B. Holbrook, Commissioner



Mary E. Bray, Commissioner



²⁷ For ease of reading some of the proposed numbering has been changed.

Appendix A

STANDARDS FOR ENERGY EFFICIENCY AND CONSERVATION PROCUREMENT AND SYSTEM RELIABILITY

CHAPTER 1 – Energy Efficiency Procurement

Section 1.1 Plan Filing Dates

- A. The Utility Energy Efficiency Procurement Plan (“The EE Procurement Plan”) submitted on September 1, 2008 and triennially thereafter on September 1, shall propose overall budgets and efficiency targets for the three years of implementation beginning with January 1 of the following year.
- B. The Utility shall prepare and file a supplemental filing on November 1, 2008 and annually thereafter on November 1, containing details of implementation plans by program for the next program year (“The EE Program Plan”). The November 1 filings shall also provide for adjustment, as necessary, to the remaining years of the EE Procurement Plan based on experience, ramp-up, and increased assessment of the resource levels available.
- C. Simultaneously with the November 1, 2008 filing the Council and the Utility shall report to the Commission regarding the question of whether supply-side sources, in addition to the demand-side source addressed in this version of the standards, should be incorporated into future versions of the standards and the Least Cost Procurement Plan. In preparing this report, the Council shall solicit comment and information from all parties to Docket No. 3931, and any others as the Council may determine. In adopting these standards prior to receiving such a report, the Commission reserves the right to order revisions to the standards, and the Procurement Plan, prior to the next September 1, 2011 filing date.

Section 1.2 EE Procurement Plan Components

- A. The EE Procurement Plan shall identify the strategies and an approach to planning and implementation of programs that will secure all cost-effective energy efficiency resources that are lower cost than supply and are prudent and reliable.
 1. Strategies and approaches to planning.
 - a. The Utility shall use the Council’s Opportunity Report as issued on July 15, 2008 (and as it may be subsequently supplemented) as one

resource among others in developing its EE Procurement Plan²⁸. The Utility may include in its Plans an outline of proposed strategies to supplement and build upon the initial Opportunity Report.

- b. The EE Procurement Plan shall describe the recent energy efficiency programs offered by the Utility and highlight how the EE Procurement Plan supplements and expands upon these offerings, including but not limited to new measures, implementation strategies, new strategies to make capital available to effectively overcome market barriers, and new programs as appropriate.
- c. The EE Procurement Plan shall include a section describing a proposal to investigate new strategies to make available the capital needed to implement projects in addition to the incentives provided. Such proposed strategies shall move beyond traditional financing strategies and shall include new capital availability strategies that effectively overcome market barriers in each market segment in which it is feasible to do so.
- d. The EE Procurement Plan shall address how the utility plans to integrate gas and electric energy efficiency programs to optimize customer energy efficiency

2. Cost-effectiveness

- a. The Utility shall assess measure, program and portfolio cost-effectiveness according to the Total Resource Cost test ("TRC")²⁹. The Utility shall, after consultation with the Council, propose the specific benefits and costs to be reported and factors to be included in the Rhode Island TRC test.
- b. That test shall include the costs of CO2 mitigation as they are imposed and are projected to be imposed by the Regional Greenhouse Gas Initiative. They shall include any other costs associated with greenhouse gas reduction that are actually being imposed on energy generation and can be identified and quantified.
- c. The utility shall provide a discussion of the carbon impacts efficiency and reliability investment plans will create.

3. Prudence and Reliability

- a. In the initial three-year EE Procurement Plan, a ramp-up to achieve all cost-effective efficiency lower cost than supply shall be proposed by the Utility that is both aggressive in securing energy,

²⁸ The Opportunity Report is essential because it is required by law, and because it provides part of the analysis upon which the PUC will base its decisions as to the level of investment required to acquire all cost-effective efficiency that is lower cost than supply.

²⁹ Since the focus of the Rhode Island legislation is on securing customer benefits, not just Utility benefits from energy efficiency procurement, the TRC test is recommended.

capacity, and system cost savings and is also designed to ensure the programs will be delivered successfully and cost-effectively over the long term³⁰. The proposed ramp-up will appropriately balance the significant cost saving efficiency investment opportunity that is identified and the near-term capacity and staffing issues within the utility and vendor community with an emphasis on ensuring an aggressive and sustainable ramp-up of program investments over time.

- b. EE Procurement Plan efficiency investments shall be made on behalf of all customers. This will ensure consistency with existing program structure under which all customers pay for and benefit from today's efficiency programs.
 - c. The EE Procurement Plan should describe how it interacts with the System Reliability Procurement Plan.
4. Funding Plan and Initial Goals
- a. The Utility shall develop a funding plan based on the following sources to meet the budget requirement of the EE Procurement Plan. The Utility shall utilize as necessary to fulfill the statutory mandate, the five following sources of funding for the efficiency program investments among others:
 - i. the existing System Benefits Charge ("SBC");
 - ii. forward capacity market ("FCM") revenues should be re-invested to help cover program costs.
 - iii. auction of Regional Greenhouse Gas Initiative (RGGI) allowances pursuant to § 23-82.6 of the General Laws which states allocation of RGGI proceeds shall be for that which "best achieves the purposes of the law, namely, lowering carbon emissions and minimizing cost to customers over the long term";
 - iv. funds from any federal or international climate or cap and trade legislation or policy including but not limited to revenue or allowances allocated to expand energy efficiency programs;
 - v. distribution rates, which is a funding mechanism to be relied upon after the other sources to ensure the legislative mandate to

³⁰ The Utility may propose a study or studies to investigate and document current energy efficiency program infrastructure in Rhode Island; to assess the ability of the infrastructure to meet increased demand for energy efficiency services; and to make recommendations for increasing capacity if needed. Any such report should address: staffing levels and ability to expand staffing; training and experience of staff; current workloads; interest in working with utility program sponsors; statewide coverage of services; and other relevant factors. Where appropriate, the Utility may partner with research efforts of this sort that are regional in nature or in other jurisdictions, so long as they provide pertinent information for building the Rhode Island infrastructure. The costs of these plans and the actions to implement them may be included as program costs.

procure all cost effective efficiency that is lower cost than supply is met.

- b. The Utility shall include a preliminary budget for the EE Procurement Plan covering the three-year period that identifies the projected costs, benefits, and initial energy saving goals of the portfolio for each year. The budget shall identify at the portfolio level, the projected cost of efficiency resources in cents/ lifetime kWh. The preliminary budget and initial energy saving goals may be updated in the Utility's EE Program Plan.

B. Efficiency Performance Incentive Plan

1. Utility shall have an opportunity to earn a shareholder incentive that is dependent on its performance in implementing the approved EE Procurement Plan
 - a. The Utility, in consultation with the Council will propose in its EE Procurement Plan, an incentive proposal that is designed to promote superior Utility performance in cost-effectively and efficiently securing for customers all efficiency resources lower cost than supply.
 - b. The Performance Incentive should be structured to reward program performance that makes significant progress in securing all cost-effective efficiency resources that are lower cost than supply while at the same time ensuring that those resources are secured as efficiently as possible.
 - c. The Utility incentive model currently in place in RI should be reviewed by the Utility and the Council. The Utility and Council shall also review incentive programs and designs in other jurisdiction including those with penalties and increasing levels of incentives based on higher levels of performance.
 - d. The Incentive may provide incentives for other objectives that are consistent with the goals including but not limited to comprehensiveness, customer equity, increased customer access to capital, and market transformation.
 - e. The incentive should be sufficient to provide a high level of motivation for excellent Utility performance, but modest enough to ensure that customers receive most of the benefit from EEP implementation.

Section 1.3 EE Program Plan Components

A. Principles of Program Design

1. The EE Program Plan shall identify the specific energy efficiency programs proposed for implementation by the Utility, pursuant to the EE Procurement Plan.
2. The Utility should consistently design programs and strategies to ensure that all customers have an opportunity to benefit comprehensively, where appropriate, from expanded investments in this low-cost resource and the programs should be designed and implemented in a coordinated fashion by the utility, in active and ongoing consultation with the Council.
3. The Utility shall propose a portfolio of programs in the EE Program Plan that is cost-effective. Any program with a benefit cost ratio greater than 1.0 (i.e., where benefits are greater than costs), should be considered cost-effective. While all programs should be cost-effective, the portfolio must also be determined to be cost-effective.
4. The Utility shall be allowed to direct a portion of proposed funding to conduct research and development and pilot program initiatives. These efforts will not be subject to cost-effectiveness considerations. However, the costs of these initiatives shall be included in the assessment of portfolio level cost-effectiveness.
5. All efforts to ramp-up program capability as identified in Section 1.2 A(3)(a) shall be done in a manner that ensures quality delivery and is economical and efficient. The utility shall include wherever possible and practical partnerships with existing educational and job training entities.
6. The portfolio of programs proposed by the Utility should be designed to ensure that different sectors and all customers get opportunities to secure efficiency resources lower cost than the cost of supply.
7. While it is anticipated that rough parity among sectors can be maintained, as the limits of what is cost-effective are identified, there may be more efficiency opportunities identified in one sector than another. The Utility should design programs to capture all resources that are cost-effective and lower cost than supply. The Utility should consult with the Council to address ongoing issues of Parity
8. The Utility shall explore as part of its plan, new strategies to make available the capital needed to effectively overcome market barriers and implement projects that moves beyond traditional financing strategies.

B. Final Funding Plan and Budget Amounts, Cost-Effectiveness and Goals

1. The Utility shall include a detailed budget for the EE Program Plan covering the annual period beginning the following January 1, that identifies the projected costs, benefits, and energy saving goals of the portfolio and of each program. The budget shall identify at the portfolio level, the projected cost of efficiency resources in cents/lifetime kWh.
2. The EE Program plans filed November 1, will reflect program ramp-up experience and anticipated changes, shifts in customer demand, changing market costs, and other factors, as noted in Section 1 above. The annual detailed budget update shall include the projected costs, benefits, and energy saving goals of each program as well as the cost of efficiency resources in cents/ lifetime kWh.
3. The Utility, in consultation with the Council may propose specific non-energy benefits (NEBs) in its Residential Low Income program cost-effectiveness analysis in addition to the benefits included in the TRC test for all other programs.
4. The EE Program Plan shall identify the energy cost savings that RI ratepayers will realize through its implementation.
5. In order to assess the potential effect of greenhouse gas reduction costs, the Utility, upon consultation with the Council, shall conduct and report in the EE Procurement Plan filing a sensitivity analysis of the proposed portfolio of programs that includes a "potential" cost for CO2 mitigation that is agreed upon among the parties.

C. Program Descriptions

1. Utility program development shall proceed by building upon what has been learned to date in utility program experience, systematically identifying new opportunities and pursuing comprehensiveness of measure implementation as appropriate and feasible.
2. The Utility shall, as part of its EE Program Plan, describe each program, how it will be implemented, and the total costs and benefits associated with the efficiency investments
3. The Utility plan shall describe in each appropriate program section a plan to devise new strategies to make available the capital needed in addition to the incentives provided to implement measures.
4. In addition to these basic requirements, the plan shall address, where appropriate, the following elements:
 - a. Comprehensiveness of opportunities addressed at customer facilities

- b. Integration of electric and natural gas energy efficiency implementation and delivery (while still tracking the cost-effectiveness of programs by fuel).
- c. Integration of energy efficiency programs with renewables and other system reliability procurement plan elements
- d. Promotion of the effectiveness and efficiency levels of Codes and standards and other market transforming strategies. If the utility takes a proactive role in researching, developing and implementing such strategies, it may, after consultation with the Council, propose a mechanism to claim credit for a portion of the resulting savings.
- e. Implementation, where cost-effective, of demand response measures or programs that are integrated into the electric and natural gas efficiency program offerings. Such measures/programs will be designed to supplement cost-effective procurement of long-term energy and capacity savings from efficiency measures.

D. Monitoring & Evaluation (M&E) Plan

- 1. The Utility shall, after consultation with the Council, include a Monitoring and Evaluation ("M & E") component in its EE Program Plan.
- 2. This M & E component shall cover the three years of the Plan, with a focus on the first year, and address at least the following:
 - a. a component that addresses savings verification including, where appropriate, analysis of customer usage;
 - b. a component that will address issues of ongoing program design and effectiveness;
 - c. any other issues, for example, efforts related to market assessment and methodologies to claim savings from market effects, among others;
 - d. a discussion of Regional and other cooperative M & E efforts the Utility is participating in or plans to participate in.
- 3. The Utility shall include in its M & E component any changes it proposes to the frequency and level of detail of utility program plan filing and subsequent reporting of results.

E. Reporting Requirements

- 1. The Utility, in consultation with the Council, will propose the content to be reported and a reporting format that is designed to communicate clearly and effectively the benefits of the efforts planned and implemented, with particular focus on energy cost savings, to secure all EE resources that are lower cost than supply.

Section 1.4 Role of the Council

- A. The Council shall take a leadership role in ensuring that Rhode Island ratepayers get excellent value from the EE Procurement Plan being implemented on their behalf. The Council shall do this by collaborating closely with the Utility on design and implementation of the Monitoring and Evaluation efforts presented by the Utility under the terms of Section 1.3 D, and if necessary, provide recommendations for modification that will strengthen the assessment of utility programs.
- B. As part of the Council's April 15 annual report required by 42-140.1-5 the Council shall report on program performance and whether program costs are justified, given the intent of the enabling legislation. The Council shall also report on the effectiveness of any performance incentive approved by the PUC in achieving the objectives of efficient and cost-effective procurement of all efficiency resources lower cost than supply and the level of its success in mitigating the cost and variability of electric service by reducing customer usage.
- C. In addition to the other roles for the Council indicated in this filing, the Utility shall seek ongoing input from, and collaboration with the Council on development of the EE Procurement and Program Plans, and on development of the annual update to the Plan.
- D. The Utility and the Council shall report to the PUC a process for Council input and review of its 2008 EE Procurement Plan and EE Program Plan by July 15, 2008 and triennially thereafter.
- E. The Council shall vote whether to endorse the EE Procurement Plan by August 15, 2008 and triennially thereafter. If the Council does not endorse the Plan then the Council shall document the reasons and submit comments on the Plan to the PUC for their consideration in final review of the Plan.
- F. The Utility shall, in consultation with the Council, propose a process for Council input and review of its EE Procurement Plan and EE Program Plan. This process is intended to build on the mutual expertise and interests of the Council and the Utility, as well as meet the oversight responsibilities of the Council.
- G. The Utility shall submit a draft annual EE Program Plan to the Council for its review and comment annually by October 1.
- H. The Council shall vote whether to endorse the annual EE Program Plan by October 15, annually. If the Council does not endorse the annual EE Program Plan, the Council shall document its reasons and submit comments on the Plan to the PUC for its consideration in final review of the Plan.

CHAPTER 2 – System Reliability Procurement

Section 2.1 Distributed/Targeted Resources in Relation to T&D Investments

- A. The Utility shall propose pilot distribution and, if appropriate, transmission projects in their first system reliability procurement plan for which they will examine alternative resource strategies as alternatives or enhancements to the distribution or transmission upgrade. These pilot projects should be used to inform or revise the system reliability procurement process in subsequent plans.
- B. Alternative Resource Technologies (ART) shall include but not be limited to:
 - 1. Distributed generation generally
 - 2. Combined heat and power
 - 3. Renewables (predominantly wind and solar, but not constrained)
 - 4. Demand response
 - 5. Peak demand and geographically focused energy efficiency programs
 - 6. In order to meet the statute's environmental goals, unless a compelling showing to the contrary, technologies selected or supported should:
 - a. achieve a CO₂ emissions rate equal to or better than the ISO New England marginal emissions rate on an output basis (thermal and electric) – current rate ~1,100 lbs/MWh; and
 - b. utilize best available control technology for NO_x emissions
- C. For each pilot the utility should identify an evaluation process that allows for input from the Council and other stakeholders and includes elements such as the following:
 - 1. Identification and description of the T&D investment
 - 2. Description of the need, requirements, and drivers such as demand growth (load curve and timing issues)
 - 3. Description of the business as usual upgrade in terms of technology, costs (capital and O&M), and schedule for the upgrade
 - 4. Identification of the level of peak demand savings required to avoid the need for the upgrade
 - 5. Development of ART alternative investment scenario(s)
 - a. Specific ART characteristics
 - b. Development of an implementation plan, including ownership and contracting considerations or options
 - c. Development of a detailed cost estimate (capital and O&M) and implementation schedule
 - 6. Reporting and recommendations

- a. Compare the investment options from a cost perspective – cost assessed on a net-present-value basis to the state’s ratepayers (common assumptions across scenarios)
 - b. Include a summary of environmental impacts and a discussion of any co-benefits such as benefits to local businesses or industry
 - c. Recommend preferred solutions
- D. The utility pilot program(s) should be reviewed and approved by the PUC as part of the System Reliability Procurement Plan submitted on September 1.

Section 2.2 Renewables

- A. The utility shall consider opportunities to integrate renewable energy resources with measurable benefits into the system reliability plan and in a coordinated fashion with the implementation of efficiency procurement. Activities may include but not be limited to:
 - 1. Renewable energy projects that compliment the distribution and transmission pilot projects or provide other system benefits;
 - 2. Distributed renewable energy projects such as photovoltaics wind or solar thermal; and
 - 3. Where appropriate, the Utility should coordinate its programs with the renewable energy fund.
- B. The utility plan shall document current activities and commitments to increase renewable energy production and contracting and how those activities affect costs, benefits, price stability, fuel diversity, and environmental goals.

Section 2.3 Combined Heat and Power

- A. The electric and natural gas efficiency programs should support and expand programs for CHP applications that are cost-effective, deliver net reductions in energy consumption, and provide environmental benefits.
- B. The utility plan shall include discussion of CHP potential in the state based on the Opportunity Report and should set targets or goals for CHP penetration and if necessary propose new programs to support the development of CHP. The plan should describe how those activities affect costs, benefits, price stability, fuel diversity, and environmental goals.
- C. CHP programs or projects supported by the Utilities should be sited at facilities with adequate thermal loads to ensure high levels of efficiency on an annual basis

Section 2.4 Demand Response

- A. The Utility shall examine and implement where cost-effective, demand response measures or programs in coordination with the electric and natural gas efficiency program offerings. Such measures and programs will be designed to supplement cost-effective procurement of long-term energy and capacity savings from efficiency measures.

- B. The Demand and capacity value of CHP and other distributed generation strategies shall be identified and quantified.

CHAPTER 3: Aligning Utility Incentives & Reforming Rates

Section 3.1 Review of Standby Rates

- A. In order to facilitate increased fuel diversity and increased development of distributed resources in the state, standby rates for customers with on-site generation should be re-examined and adjusted if appropriate.
- B. The Utility Reliability Procurement Plan should include a discussion of this issue.