

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

PUBLIC UTILITIES COMMISSION

LEAST COST PROCUREMENT STANDARDS

- Blue: Notes
- Red: New/edits
- Black: Existing
- ~~Strikethrough~~: Deleted existing

CHAPTER 1 – Least-Cost Procurement

1.1. Purpose

- Here we have recitals of the purpose of LCP from the statute.
- This section should make clear the PUC is setting standards for System Reliability Procurement (SRP) and Energy Efficiency and Conservation (EE&C) Procurement pursuant to § 39-1-27.7(a), which is not limited to procurement through the statutory plans.
- This section should also make clear the PUC is setting additional standards and guidelines pursuant to § 39-1-27.7(c)(2) for SRP and EE&C Procurement *Plans* that are filed pursuant to § 39-1-27.7(c)(4) and (5)
- Staff raises the opportunity to apply the 4600 goals and rate design principles to natural gas EE&C and SRP (the RI Test was applied in the last revision to the Standards), to the extent possible. Unlike the electric side, this would not apply to generally to gas ISR or gas supply procurement or any other gas business; it would only apply to gas proposals that fall under the definitions of SRP and EE&C.

1.2. Definitions

- Staff proposes the following definitions that would apply throughout the document.
 - A. Energy Efficiency Procurement
 - B. Conservation Procurement
 - C. System Reliability Procurement
 - D. ~~Electric~~ Distribution System Needs (2.1.C.i)
 - E. Optimization of ~~Grid~~ Distribution System Performance (2.1.D.i)
 - F. Cost-effectiveness
 - G. Rhode Island Benefit Cost Test (RI Test)
 - H. Cost Test

- I. Cost of Supply
- J. Cost of Energy Efficiency
- K. Three-Year Least-Cost Procurement Report
- L. Three-Year Energy Efficiency and Conservation Procurement Plan
- M. Three-Year System Reliability Procurement Plan
- N. Annual Energy Efficiency and Conservation Procurement Plan

1.3. **Standards**

- Part A of this section sets the LCP Standards for PUC approval. This is statutory.
 - Part B provides principles for costs-test. Edited version of 1.2.b.ii.a-f.
 - Parts C-G provide what assessments, at a minimum, the distribution company will provide to support the case that an investment meets the LCP Standards for approval.
- A. Least-Cost Procurement shall be cost-effective, reliable, prudent, and environmentally responsible. Least-Cost Procurement that is specifically Energy Efficiency Procurement shall also be lower than the cost of additional energy supply.
- B. Cost-test principles (Edited version of 1.2.b.ii.a-f)
- C. Cost-Effective (Mostly an edited version of 1.2.B.i, iii-iv)
- D. Reliable
- Here staff recommends assessments of the risk that costs and benefits are realized (e.g., technology, customer, implementation), experience, ability to meet identified needs, and alternatives. (Includes edited versions of 2.2.E.i.a, c-d and 2.2.F.i.a-d. Much of the risk-related issues should fall under Reliable. An assessment of if that risk is reasonable should fall under Prudent)
 - Existing requirements of Reliable in 1.2.D have been moved to the new Section 3.2 General Design and Principles for Energy Efficiency and Conservation Plan.
- E. Prudent
- Here staff recommends assessments of how the investment meets the goals of the systems, the overall change in risk to customers and the distribution company, synergy savings, rate impacts, and other useful cost tests identified by the proponent. (Includes 2.2.E.1.b)
- F. Environmentally Responsible (Edited version of 1.2.F.i and 2.2.G.i)
- G. Less than the Cost of Supply (Edited version of 1.2.C)
- It is made clear this only applies to EE. The statute does not require Conservation or SRP to be less than the cost of supply.

1.4. **Performance Incentive Plan**

- There should be confirmation that PIs are allowed, and that the PIMs Principles

(once adopted) shall apply.

CHAPTER 2 – Three-Year Least-Cost Procurement Report

2.1. Intent

- A. This Chapter provides standards and guidelines for System Reliability and Energy Efficiency and Conservation Procurement findings and recommendations filed with the PUC pursuant to R.I. Gen. Laws § 39-1-27.7(c)(1).

2.2. Purpose

- A. The Three-Year Least-Cost Procurement Report (Report) shall serve as guidance for Least-Cost Procurement proposed by the distribution company over the following six years. This includes proposals within and beyond plans defined in Section 1.2.K and J.
 - This is built on the existing definition of “Prudent” in existing 1.2.E.i. Staff recommends the Report look out at least six years.

2.3. Content

- A. Energy Efficiency and Conservation Procurement Targets
- B. System Reliability Procurement Recommendations
- C. Performance Incentive Plans
- D. Least-Cost Procurement Standards
- E. Recommended Rulings
- F. Stakeholder Processes

2.4. Timing

- Staff recommends adopting the statutory deadlines
- Staff also recommends explaining how deadlines might be extended

2.5. PUC Orders

- Staff recommends a section that describes what orders the PUC will make regarding the purposes of this filing.
- Staff recommends adoption of three-year targets.

CHAPTER 3 – Energy Efficiency and Conservation Procurement Plans

3.1 Intent

- A. This Chapter provides standards and guidelines for Energy Efficiency and Conservation Procurement Plans filed with the PUC pursuant to R.I. Gen. Laws §§ 39-1-27.7(c)(4) and (5).
 - Notably, subparagraph 5 only discusses annual and related plans for efficiency and does not mention conservation and system reliability.

3.2 General Design and Principles for Energy Efficiency and Conservation Plans

- These apply both the three-year and annual EE&C Plans.
- These are taken mostly from the EE definitions of cost-effective, prudent, reliable in the existing standards. Also has some requirements from 1.4 (parity and cost-effectiveness)
- Includes 1.2.A.ii-iv, 1.2.D, 1.2.E, 1.4.D, and an edited version of 1.4.C.
- Note that the inclusion if 1.4.C is likely important to stakeholders. This expresses that the portfolio must be cost-effective. Staff also recommends that programs be cost-effective. Additional edits are included. Also, see the Orders in 3.4.C regarding measures.

3.3 **Three-Year Energy Efficiency and Conservation Procurement Plan**

A. Purpose

- Staff recommends consideration of firm three-year targets, budgets, and strategies, with an additional three years of illustrative targets, budgets, and strategies.

B. Content

- i. **The Three-Year Plan shall contain sections that describe the following:**
 - a. **Consistency with the requirements of Section 1.3,**
 - b. Strategies and Approaches to Planning,
 - c. Funding Plan and Initial Targets.
 - (1) **Funding Plan**
 - (2) **Budget**
- ii. **Multi-year strategies**
- iii. Performance Incentive Plan Structure
 - Staff recommends setting a PI plan in the Three-Year Plan, not the Annual Plan.
- iv. **Testimony**
 - a. **The distribution company will prefile testimony on the following:**
 - (1) **Cost-Effectiveness of measures, programs, and portfolios**
 - (2) **Prudence~~y~~ and**
 - (3) **Reliability**
 - (4) **Environmental Responsibility**
 - (5) **Cost of Additional Supply compared to measures, programs, and portfolios**
 - b. **Prefiled testimony will also state what approvals for Energy Efficiency and Conservation Procurement the distribution company requesting from the PUC.**

C. PUC Orders

- Staff recommends a section that describes what orders the PUC will make regarding the purposes of this filing.
- Staff recommends consideration of adoption of three-year targets and budgets. This recommendation is not for the purpose of rate setting (which should happen

annually), but for the purpose of performance plan development.

D. Timing

3.4 Annual Energy Efficiency and Conservation Procurement Plans

A. Purpose

- Set SBC.
- Possibly set targets, although this can become more of an implementation of the Three-Year Plan.
- Edited version of 1.3.A
- Edited version of 1.4.E.ii
- 1.4.E.iii

B. Content

- i. Consistency with the requirements Section 1.3
 - ii. Program Descriptions (Copied from 1.4.F)
 - iii. Monitoring and Evaluation (M&E) Plan (Copied from 1.4.G)
 - iv. Reporting Requirements (Copied from 1.4.H)
 - v. Multi-year strategies
 - vi. Performance Incentive Plan Structure (Possibly redundant, since staff recommends incentives are set in the Three-Year Plan above)
 - vii. Testimony
 - a. The distribution company will prefile testimony on the following:
 - (1) Cost-Effectiveness of measures, programs, and portfolios
 - (2) Prudence~~y~~ and
 - (3) Reliability
 - (4) Environmental Responsibility
 - (5) Cost of Additional Supply compared to measures, programs, and portfolios
 - b. Prefiled testimony will also state what approvals for Energy Efficiency and Conservation Procurement the distribution company requesting from the PUC.
- Note that this should include all testimony topics that were requested in 4979, so if something is missing, it is an unintended omission.

C. PUC Orders

- At a minimum, staff recommends rates, the portfolio, and programs are approved annually.
- Staff also recommends that the PUC make clear its authority to deny measures under certain conditions.

D. Timing

CHAPTER 4 – Three-Year System Reliability Procurement Plans

4.1 Intent

A. This Chapter provides standards and guidelines for System Reliability Procurement Plans filed with the PUC pursuant to R.I. Gen. Laws § 39-1-27.7(c)(4).

- This Chapter now only addresses the Three-Year SRP Plan.

4.2 Purpose

- Staff recommends the distribution company present planning principles and areas of focus for SRP. (Edited version of Section 2.4.A opening paragraph)
- SRP strategy implementation is another recommendation. This would be a forward-looking cross-program summary.
- Staff also recommends the Plan include proposals for screening criteria, implementation in planning, and reporting requirements, rather than set these in the Standards (as is the current situation).

4.3 General Plan Design and Principles

- Includes 2.1.B and 2.1.C

4.4 Content

- Consistency with Section 1.3 above.
- Proposed screening criteria for NWA and proposal for how this will be included in planning
- Include Section 2.4.a.i-iv
- A reporting plan (for years two and three)
- Performance incentive plan structure for effect over the three years (possibly optional)

B. Testimony

- i. To the extent applicable, the distribution company will prefile testimony on the following:
 - a. Cost-Effectiveness of measures, programs, and portfolios
 - b. Prudence~~ncy~~ and
 - c. Reliability
 - d. Environmental Responsibility
 - ii. Prefiled testimony will also state what approvals for the Three-Year SRP Plan the distribution company requesting from the PUC.
- Testimony might not be necessary.

4.5 PUC Orders

- Staff is recommending orders to approve screening, implementation, reporting, and possibly performance incentive plans.

4.6 PLACEHOLDER FOR FILING DEADLINE

CHAPTER 5 – Role of the Council in Efficiency Plan Development and Approval

5.1 Intent

- A. This Chapter provides guidelines for the Council's role in development and approval of Least-Cost Procurement Plans described in Chapters 3 and 4.

5.2 Guidelines

- Staff recommends inserting Section 1.6 in the existing Standards. They should be edited to apply to both the EE&C and SRP Report and Plans described in Chapters 3 and 4.

CHAPTER 6 – Additional Standards for System Reliability Procurement Investment Proposals

- This is the placeholder for a generic SRP filing, which would replace requests for approval and funding in annual SRP Plans.
- This is where to put any other information the PUC or parties want to include in an SRP filing that are in addition to what would be filed to meet the standards in Section 1.3. For example, some of the sections in the existing 2.5.A(i) through (ix) or 2.5.B may be useful to specifically require.
- If the requirements in 1.3 are enough, we can eliminate this placeholder chapter.