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December 28, 2020

SENT VIA ELECTRONIC MAIL ONLY [Luly.Massar@puc.ri.gov]:

Luly E. Massaro
Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, Rhode Island 02888

RE: Comments on the Commission's Proposed Performance Incentive Mechanism for the 2021 Annual Energy Efficiency Program Plan (Annual Plan) (Docket No. 5076)

Dear Ms. Massaro:

Enclosed for filing on behalf of the Office of Energy Resources ("OER") is a PDF copy of OER's comments regarding the Commission's proposed performance incentive mechanism (PIM) for the 2021 Energy Efficiency (EE) Program Plan.

If there are any questions, please feel free to contact me.

Sincerely,

Albert J. Vitali III, Esq.

AJV/njr

Enclosure

c. Docket List: 5076



December 28, 2020

Chairperson Ronald Gerwatowski
Commissioner Marion Gold
Commissioner Abigail Anthony
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, Rhode Island 02888

Re: Docket #5076 – Comments on the Commission’s Proposed Performance Incentive Mechanism for the 2021 Annual Energy Efficiency Program Plan (Annual Plan)

Dear Commissioners:

The Rhode Island Office of Energy Resources (OER) submits these comments regarding the Commission’s proposed performance incentive mechanism (PIM) for the 2021 Energy Efficiency (EE) Program Plan.

Background

National Grid’s 2021-2023 Energy Efficiency and Conservation Procurement Plan (Three-Year Plan) and 2021 Annual Energy Efficiency and Conservation Procurement Program Plan (Annual Plan) were filed with the Commission on October 15, 2020. The Three-Year Plan and Annual Plan were the result of months of stakeholder discussion and deliberation, and were filed as a settlement between National Grid, OER, the Division of Public Utilities and Carriers (DPUC), the Energy Efficiency and Resource Management Council (EERMC), Acadia Center, and the Green Energy Consumers Alliance (collectively, the Settlement Parties). After deadlines for testimony and discovery in this uncontested docket had passed, and following several days of evidentiary hearings before the Commission, Settlement Parties received from Commission Counsel a three-page document titled “Proposal for Modifications to the EE Performance Incentive Mechanism.”¹ OER received this document at 11:55 AM on Tuesday, December 22, 2020.² Settlement parties were provided until 11:00 AM on Monday, December 28, 2020 to submit comments.

Non-Procedural Comments

First, we reiterate here our support for the PIM structure proposed in the filed settlement and respectfully urge the Commission to adopt it for 2021. We note the significant amount of work that stakeholders and National Grid have put into developing the proposed PIM structure and the 2021 Energy Efficiency Plan as a whole. This multi-party collaboration has long been a strength of Rhode Island’s energy efficiency paradigm.

¹ OER has since received a “Revised” PIM Proposal from the Commission at 10:12 AM on December 28, 2020.



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If adoption of the stakeholder-recommended PIM is not approved by the Commission, we urge the Commission to allow for additional stakeholder discussion prior to changing the current 2020 EE PIM, such as through Commission-led technical sessions in early-2021.

Second, the Commission's proposed PIM may undermine program design and planning objectives that were established with significant stakeholder participation through Docket 4600. By establishing a PIM that focuses on electric and natural gas system benefits, rather than all quantifiable societal benefits, Commissioners will be removing National Grid's incentive to pursue any non-energy system benefits, even those that could be attained at little to no incremental cost. OER holds that a PIM should drive the utility to proactively identify synergies for increased societal benefits. Therefore, rather than completely excluding non-energy system benefits from the PIM's "net benefits" calculation, OER recommends including them. The Commission may choose to discount these non-energy benefits, however, OER requests that a clear rationale be provided for the discount levels chosen. For example, the quantitative and qualitative reasoning for application of a 50% discount for oil and other resource benefits is unclear to OER and other stakeholders.

Third, OER suggests developing new terminology for what is currently called "net benefits" in the Commission's proposed PIM. It is industry best practice to calculate net benefits from balanced pools of benefits and costs. However, the Commission's proposed calculation is not balanced. Instead, all costs – and even some regulatory costs which are unrelated to program administration – are fully included, while some benefits are discounted or excluded. Therefore, labeling the calculation result as "net benefits" is misleading to both industry experts and the general public. OER offers "net prioritized outcomes" as a potential new description.

Fourth, OER does not support the use of penalties as proposed. Historically, several states implemented penalties in their energy efficiency program PIMs but, over time, those penalties were abandoned due to unintended consequences. Namely, penalties in energy efficiency program PIMs can result in increased tensions over evaluation results and program goal setting processes. A 2014 study by Rachel Gold (provided in footnote 1) summarizes these outcomes and other potential unintended consequences based on experiences from New York and California.³

Lastly, OER believes that National Grid will deprioritize residential and income eligible programs under the Commission's proposed PIM. If the penalties are maintained, the utility will likely hit 65% of goal achievement in these sectors and that achievement is likely to represent a ceiling, rather than a floor. That would be an extremely disappointing outcome during a time when many people are spending substantial amounts of time at home (due to the COVID crisis) and the needs of income eligible customers are expected to grow. Currently, the Commission's proposed PIM suggests that there is over \$13 million worth of program modifications (cost reductions and/or increased benefits) that can be found in the income eligible and residential programs. OER does not believe this scale of program redesign is surmountable in one program year, and may not be at all achievable for income eligible programs if current services and cost coverage are to continue. Therefore, if the Commission chooses to adopt a new PIM without further discussion with stakeholders, OER requests that the Company begin earning in the residential and income eligible sectors at a negative "net benefits" value that is closer to

³ <https://www.sciencedirect.com/science/article/abs/pii/S1040619014002152?via%3Dihub>



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zero than the current calculated values for these programs, but is non-zero. OER recognizes that this recommendation is not in perfect alignment with the Commission's PIM principles, but it would provide an incentive to encourage program improvement rather than program stagnation. Overall, OER anticipates that program changes that could result in \$2-3 million more in "net benefits" over the course of one year may be achievable. However, OER would encourage the Commission to solicit advice from the Energy Efficiency and Resource Management Council's consultant team, which has multi-state energy efficiency program planning and oversight experience to confirm the practicality of this assumption.

OER hopes to discuss these recommendations and concerns with the Commission at a future technical session.

Procedural Comments

OER is deeply concerned about the process being employed in this matter. We respect the Commission's broad jurisdiction and sympathize over the less-than-ideal timing of these filings; however, the Commission's proposal is being provided and reviewed in a manner contradictory to normal orderly processes, without the benefit of constructive, multi-party dialogue or an evidentiary record that includes, but is not limited to, discovery, expert witness testimony, and cross-examination. Should it proceed to adoption without the benefit of more thorough stakeholder dialogue and/or evidentiary review, this approach may create a disruptive precedent that could extend to other regulatory matters, particularly those that are the result of multi-party collaboration and consensus building.

Thank you for your consideration.

Sincerely,

Nicholas S. Ucci
Commissioner