

Memo



To: RI Energy Efficiency & Resource Management Council
From: Jeff Loiter, Mike Guerard
Date: September 17, 2018
Subject: LCP Standards decision by RI PUC

CONSULTANT TEAM

<i>Relevance of Topic</i>	At the August 23, 2018 EERMC meeting, the EERMC voted to submit a response to the PUC on their proposed modification to the LCP standards. The response was submitted on August 25 by EERMC Counsel Marisa Desautel. ¹ Per the EERMC vote, the response focused on 1) concern over the possible problems with creating two different cost-effectiveness tests and 2) the limited amount of time available to resolve the new language without negatively affecting the schedule for completion of the 2019 Plan. With respect to the latter, the EERMC noted that it is important that any language changes reflect the full input of all stakeholders and therefore requested a technical session or other forum to allow for this, with the objective of having final language approved in time for inclusion in the 2019 Plan filing due October 15, 2018.
<i>Content of memo</i>	This memo provides the summary of the resulting decision of the PUC issued at a Public Meeting on September 6. It also provides a preview of how this decision will be reflected in the second draft of the 2019 EE Plan.
<i>Expected Outcome</i>	As a result of this update, the EERMC will have advance information to inform any additional input they would like to provide prior to having to vote on the final draft of the EE Plan on October 4.

In response to the PUC's proposed modification to the LCP standards, the EERMC and other parties submitted responses raising concerns about both the proposed language and the timing of the PUC's process in relation to the schedule for the 2019 Plan filing. At a hearing on September 6, 2018, the PUC voted to approve the revisions to the LCP Standards as suggested by the Division of Public Utilities and Carriers, which was largely based on the PUC's own proposed language. Recall that the language originally proposed by the EERMC back in May 2018 attempted to codify the "less than the cost of supply" comparison as between National Grid's standard offer service price and the utility's cost to deliver efficiency. The approved language takes a substantially different approach, requiring that this criterion be met using the Docket 4600A Framework for cost-effectiveness, capturing ALL costs of efficiency or supply regardless of who bears the costs.

The Consultant Team has previously opined that using the Docket 4600A framework as required by the PUC's approved language would result in either 1) a comparison between the cost of supply and the cost of efficiency that is identical to the outcome of the existing Rhode Island Test for cost-effectiveness, or 2) an inconsistent application of the Framework that would create a cost-effectiveness test more narrowly defined than the RI Test. This opinion is shared by OER and the Division.

¹ [http://www.ripuc.org/eventsactions/docket/4684-EERMC-Comments\(8-24-18\).pdf](http://www.ripuc.org/eventsactions/docket/4684-EERMC-Comments(8-24-18).pdf)

Our understanding is that National Grid, in the forthcoming Plan submittal and in response to the approved language, will allocate ALL cost and benefit categories currently included in the RI Test to either the cost of supply or the cost of efficiency, and therefore present a comparison that is equivalent to the cost-effectiveness result. That is, if the portfolio passes the RI Test, it will also meet the less than cost of supply criterion of the LCP Statute. The Consultant Team is supportive of this approach.

In addition to the change in the “costs” definitions, the EERMC’s original proposal for the LCP Standards included an adjustment to one administrative item under the EERMC responsibilities section of the LCP Standards, related to the timing of the Council’s “Cost-Effectiveness Report.” The EERMC proposed a change to the Standards to extend the timeframe for submitting the Cost-Effectiveness Report to be within three weeks of filing, rather than the current two-week requirement. This change was accepted by the PUC.