



STATE OF RHODE ISLAND
**ENERGY EFFICIENCY &
RESOURCE MANAGEMENT COUNCIL**

CONSULTANT TEAM

Updates to Least Cost Procurement Standards

Presented By: EERMC Consultant Team

Date: May 1, 2023





Outline

Framing Questions

Overview of RI Energy Comments

Overview of C-Team Comments

Overview of OER Comments



Questions to Consider

When reviewing comments or modifications proposed by RI Energy and OER, consider the following questions:

- Does the Council wish to express support?
- Does the Council wish to directly oppose?
- Does the Council wish to ask a clarifying question?



OVERVIEW OF RI ENERGY COMMENTS





Three-Year EE Plan

Chapter 3.3.B – Three-Year EE and Conservation Procurement Plan Content

B. Content

- i The Three-Year EE Plan will contain sections that describe the following:
 - a Consistency with the requirements of Section 1.3,
 - b Strategies and Approaches to Planning,
 - c Analysis of total energy likely to be saved in Rhode Island through energy efficiency over the three years, and the portion of those total energy savings that will is planned to be delivered by the distribution company’s EE programs. At a minimum, this analysis should include:
 - (1) An estimate of the total energy likely to be saved in Rhode Island through energy efficiency over the three years, for the following fuel types: electricity, natural gas, and delivered fuels;
 - (2) For each of the fuel types, an estimate of the portion of total energy savings that is likely to be delivered by the distribution company’s EE programs and the associated budget;
 - (3) For each of the fuel types, an estimate of the portion of total energy savings that is likely to be delivered by state and local programs beyond the distribution company’s EE programs, and the associated budget, which will rely on best efforts to obtain data from external sources;
 - (4) For each of the fuel types, an analysis of what entities or programs will likely deliver the remaining portion of total energy savings that will not be delivered by the distribution company’s EE programs or other state and local programs, which will rely on best efforts to obtain data from external sources.

RIE Comment #3

In Section 3.3B(i)(c), RIE believes it is more appropriate to say, “planned to be delivered” as opposed to “will be delivered.” See RIE’s proposed redlines.

RIE Comment #4

In Sections 3.3B(i)(c)(3) and (4), RIE suggests adding language to note that the analysis of energy savings and associated budgets beyond the Company’s energy efficiency programs would be contingent upon and based off of data received from external sources. See RIE’s proposed redlines.

Section added by PUC



Annual EE Plan

3.4 **Annual Energy Efficiency and Conservation Procurement Plans**

A. Purpose

viii The Company may petition the Commission to forgo the filing of Annual EE Plans. The Commission shall have full discretion whether to permit the Company to forgo the filing of any Annual EE Plan. In the event the Commission permits the forgoing of any Annual EE Plan, the Commission may require the Company to fulfil the requirements set forth in this Section 3.4 through other filings or mechanisms.

Additional context on next slide



Annual EE Plan (cont)

RIE Comment #6

In Section 3.4, RIE recommends adding language that would provide RIE with an opportunity to present a proposal to forgo the filing of an annual energy efficiency plan (at the earliest, a proposal would be for the 2025 annual plan and would not impact the filing of the 2024 annual energy plan). See RIE’s proposed redlines.

RIE is currently examining a proposal that would be designed to maintain oversight by the PUC, Division of Public Utilities and Carriers (“Division”), and the Energy Efficiency Resource Management Council (“EERMC”), through annual energy efficiency surcharge filings, a mid-term modification process for significant increases or decreases in sectoral budgets, and continued quarterly and annual reporting requirements. This structure would be expected to improve administrative efficiencies of program management and create longer term market certainty for customers and vendors, thereby improving program performance as well as workforce and supply chain investments.

RIE is currently reviewing the legalities of such a proposal. While the legal review is ongoing, RIE notes that R.I. Gen. Laws § 39-1-27.7(d)(5) provides a clause that reads, “*and any related annual plans*” suggesting that annual plans may exist but are not required. Compare that to the language in R.I. Gen. Laws § 39-1-27.7(d)(4) which states that the Company “*shall submit to the commission*” a three-year plan.



Annual EE Plan - Reporting

Chapter 3.4.B – Annual EE and Conservation Procurement Plan Content

xi Reporting Requirements

a Following the conclusion of an Annual Plan, the distribution company shall report on the following items to the PUC no later than ~~May 1~~June 1 of the following year:

- (1) Comparison of the distribution company’s projections for total portfolio lifetime energy savings likely to be delivered during the program year and the budget to deliver those savings, developed for the Annual Plan pursuant to Section 3.4.a.ii of these Standards, to actual energy efficiency savings and budget during the program year;
- (2) If the distribution company’s projections for total portfolio lifetime energy savings and budget varied by more than 10% from actual savings and budget, a description of the variance and, where applicable, an explanation of the cause of such variance;
- (3) If the distribution company’s projections for total portfolio lifetime energy savings and budget varied from actual savings and budget by more than 10%, an explanation of any adjustments the company made to its own Annual Plan programming (savings goals, incentive levels, or budgets) in response to such variance;

~~b. Following the conclusion of a Three Year EE Plan, the distribution company shall compare actual performance to planned performance for each of the three component Annual Plans, considering the following measures of performance: total energy savings, cost of energy savings, and value of energy savings. When comparing planned performance to actual performance, the distribution company shall use the most up to date avoided cost estimates and claimable savings estimates. The distribution company shall report results to the PUC no later than May 1 of the following year.~~

RIE Comment #9

In Section 3.4B(xi)(a), RIE recommends the due date for reporting be June 1 instead of May 1. See RIE’s proposed redlines. In the 2022 and 2023 Annual Plans, RIE indicated that “The Company will provide to the EE TWG, the EE EWG, and file with the PUC its 2022 [2023] Year-End Report no later than June 1, 2023 [2024]. This report will include achieved natural gas and electric energy savings in 2022 [2023] and earned incentives for 2022 [2023].” (See 2022 Annual Plan, PDF Page 138 out of 578 or Bates 130; and See 2023 Annual Plan, PDF Page 111 out of 409 or Bates 105). The extra month had been requested in the recent Annual Plans given the complexities of the analysis and calculations. The extra month would also help with the additional requirements as proposed in the updated LCP Standards.

RIE Comment #10

In Sections 3.4B(xi)(a)(1), (2) and (3), RIE suggests that any portfolio variances greater than 10% trigger the description and explanation requested in sections (2) and (3). 10% is the current threshold requiring RIE to seek approval for over or underspending the portfolio budget. This would be consistent with that established mechanism. Any variance less than 10% would not require an explanation. See RIE’s proposed redlines.

RIE Comment #11

RIE recommends deleting Section 3.4B(xi)(b). See RIE’s proposed redlines.

The established practice in Rhode Island is to apply the latest information on savings and benefits prospectively. Using the latest avoided cost and claimable savings estimates retrospectively will create two sets of data and may be confusing.



DSM Timing

Chapter 7 – Demand Side Management Investment Proposal

RIE Comment #14

In Section 7.5, RIE suggests aligning the timing requirements for DSM proposals with the timing requirements for SRP investment proposals. See RIE’s proposed redlines.

7.5 Timing

~~A. The PUC does not limit the timing of DSM Proposals, but prefers that the proposals be filed alongside, but separately from, annual EE Plans. The distribution company shall file any DSM Proposals alongside, but separately from, annual EE Plans.~~



OVERVIEW OF C-TEAM COMMENTS





Overarching Comment

CHAPTER 1 – Least-Cost Procurement

1.1. Purpose

- A. Least-Cost Procurement comprises System Reliability Procurement, Energy Efficiency and Conservation Procurement as provided for in R.I. Gen. Laws § 39-1-27.7 and Supply Procurement as provided for in R.I. Gen. Laws § 39-1-27.8.
- B. System Reliability Procurement, Energy Efficiency and Conservation Procurement,

Commented [CJ1]: We want to raise for the Commission's consideration whether to review Standards in the year prior to when a 3 year plan is due so that Standards aren't being modified in the same year in which said Plan is being developed. This might not need to be explicitly stated in the Standards themselves, but just something we think would allow folks sufficient time to both a) consider updates to the Standards, and b) understand the Standards well in advance of the development period for a 3 year plan.



Cost-Effectiveness Testing

Chapter 1.3C – Standards for Cost-Effectiveness Testing

iv. With respect to the value of greenhouse gas reductions, the RI Test shall include the costs of CO₂ mitigation as they are imposed and are projected to be imposed by the Regional Greenhouse Gas Initiative, Rhode Island Renewable Energy Standard and Rhode Island Act on Climate, and any other utility system costs associated with reasonably anticipated future greenhouse gas reduction requirements at the state, regional, or federal level for both electric and gas programs. The RI Test shall also include the costs and benefits of other emissions and their generation or reduction through Least Cost Procurement. ~~The RI Test may include the value of greenhouse gas reduction not embedded in any of the above.~~

v. Benefits and costs that are projected to occur over the term of the Least-Cost Procurement investment shall be stated in present value terms in the RI Test calculation, using a discount rate that appropriately reflects the risks of the

Commented [CJ3]: We recommend updating the terminology here to CO₂ equivalents.

Commented [CJ4]: We recommend not striking this language. This language gives space for the inclusion of full societal costs, which may not be fully captured through valuing the items listed earlier in this section.



Three-Year EE Plans

Chapter 3.3.B – Three-Year EE and Conservation Procurement Plan Content

B. Content

- i The Three-Year EE Plan will contain sections that describe the following:
 - a Consistency with the requirements of Section 1.3,
 - b Strategies and Approaches to Planning,
 - c Analysis of total energy likely to be saved in Rhode Island through energy efficiency over the three years, and the portion of those total energy savings that will be delivered by the distribution company’s EE programs. At a minimum, this analysis should include:
 - (1) An estimate of the total energy likely to be saved in Rhode Island through energy efficiency over the three years, for the following fuel types: electricity, natural gas, and delivered fuels;
 - (2) For each of the fuel types, an estimate of the portion of total energy savings that is likely to be delivered by the distribution company’s EE programs and the associated budget;
 - (3) For each of the fuel types, an estimate of the portion of total energy savings that is likely to be delivered by state and local programs beyond the distribution company’s EE programs, and the associated budget;
 - (+)(4) For each of the fuel types, an analysis of what entities or programs will likely deliver the remaining portion of total energy savings that will not be delivered by the distribution company’s EE programs or other state and local programs.

Commented [CJ5]: We believe that additional clarity should be provided here about the time period that is being referred to for "total energy".

For example, is this asking for the annual savings summed up over the three year period (i.e. Annual Savings in Year 1 + Annual Savings in Year 2 + Annual Savings in Year 3), OR is this asking for the cumulative annual savings summed up over the three year period (i.e. Annual Savings in Year 1 + Annual Savings from Year 1 occurring in Year 2 and Year 3 + Annual Savings in Year 2 + Annual Savings from Year 2 occurring in Year 3 + Annual Savings in Year 3)?

Commented [SR6R5]: Agreed. Total energy probably needs to be either a) replaced with a more precise term, or b) added to the definitions section with a clear and precise definition



Annual EE Plans - Filing

Chapter 3.4B – Annual EE and Conservation Procurement Plan Content

- v. The distribution company shall include in the Annual Plan one or more tables listing the following information for every measure proposed to be offered through the Annual Plan. The measure names should be consistent with the measure names included in the Technical Reference Manual.
 - a. Number of measures to be installed.
 - b. Measure-level incentive.
 - c. Total incentive budget.
 - d. Annual energy savings to be delivered by the planned number of installations.
 - e. Lifetime energy savings to be delivered by the planned number of installations.
 - f. Summer demand savings to be delivered by the planned number of measures installed.
 - g. Winter demand savings to be delivered by the planned number of measures installed.
- vi. Annual EE Plans will reflect program implementation experience and anticipated changes, shifts in customer demand, changing market costs, and other factors,

Commented [CJ7]: This is a good list and we'd suggest adding carbon emissions impacts to this list.

Commented [CJ8]: Any items included in this list that refer to savings levels should clarify whether this is asking for net savings, gross savings, or both.



Annual EE Plans - Reporting

Chapter 3.4B – Annual EE and Conservation Procurement Plan Content

xi Reporting Requirements

- a. Following the conclusion of an Annual Plan, the distribution company shall report on the following items to the PUC no later than May 1 of the following year:
 - (1) Comparison of the distribution company’s projections for total energy savings likely to be delivered during the program year and the budget to deliver those savings, developed for the Annual Plan pursuant to Section 3.4.a.ii of these Standards, to actual energy efficiency savings and budget during the program year;
 - (2) If the distribution company’s projections for total energy savings and budget varied from actual savings and budget, a description of the variance and, where applicable, an explanation of the cause of such variance;
 - (3) If the distribution company’s projections for total energy savings and budget varied from actual savings and budget, an explanation of any adjustments the company made to its own Annual Plan programming (savings goals, incentive levels, or budgets) in response to such variance;
- b. Following the conclusion of a Three-Year EE Plan, the distribution company shall compare actual performance to planned performance for each of the three component Annual Plans, considering the following measures of performance: total energy savings, cost of energy savings, and value of energy savings. When comparing planned performance to actual performance, the distribution company shall use the most up-to-date avoided cost estimates and claimable savings estimates. The distribution company shall report results to the PUC no later than May 1 of the following year.

Commented [CJ9]: Please consider including an additional item that would require the distribution company to file a year-end benefit cost model which would allow comparison of plan vs. actual benefit cost model data.

Commented [CJ10]: We believe this would benefit from some additional clarifying language that addresses the following two questions:

1. Is this expected to be done at the portfolio, sector, or program level?
2. How should the Company determine whether or not to report on variations? For example, would the Company be expected to report on savings and budgets that varied by <1%? It might be worth setting expectations about the % deviation that would trigger the requirement of a Company explanation.



Annual EE Plans – Timing of Filing

Chapter 3.4D – Annual EE and Conservation Procurement Plan Timing

D. Timing

- ~~i. In years in which a Three-Year EE Plan is filed and the Three-Year Plan does not include a detailed first year Annual EE Plan, the Annual EE Plan shall be filed in November 1 of that year.~~
- ii. All other Annual EE Plans will shall be filed on or before October 1 of the year preceding the implementation year.

Commented [CJ11]: The Timing section of the Three-Year Plan indicates that in years in which a three-year and annual plan are combined filings, the deadline is October 15. However, the edits to this section make it seem like all Annual Plans, regardless if they are combined with a Three-Year Plan is October 1.

We recommend that this language clarify that the October 1 deadline for Annual Plan filings apply only to years in which a Three-Year Plan is not being developed. For this cycle, as an example, that would mean this only applies to 2025 and 2026 annual plans.



Role of Council

Chapter 6 – Role of the Council in Plan Development and Approval

6.4 Guidelines for Demand Side Management and Investment Proposals

- A. The Council shall review Demand Side Management (DSM) Investment Programs. The Council may review DSM Proposals.
- B. The distribution company shall seek ongoing input from, and collaboration with, the Council on development of DSM Programs and on development of any reports related to DSM Programs. The distribution company shall seek to receive endorsement of DSM Programs by the Council prior to submission to the PUC.
- C. The Council shall vote whether to endorse DSM Programs prior to the prescribed filing date. If the Council does not endorse the proposed DSM Programs, then the Council shall document the reasons and submit comments on the proposed DSM Program to the PUC for their consideration in final review of the proposed DSM Program.
- D. The distribution company shall, in consultation with the Council, propose a process for Council input and review of its DSM Programs and DSM Proposals. This process is intended to build on the mutual expertise and interests of the Council and the

Commented [CJ13]: We recommend inclusion of Section 6.4 to appropriately note the Council's role in development and approval of any DSM plans that are proposed under the newly added Chapter 7. We drafted proposed language that is similar to the Section 6.3 on SRP.



DSM Content

Chapter 7.3 – DSM Content

A. Testimony

- i. The distribution company will prefile testimony on the following:
 - a. Description of the DSM Proposal and its consistency with the purposes enumerated in Section 7.2;
 - b. impact of the DSM Proposal on demand for electric or gas supply;
 - c. impact of the DSM Proposal on average electric or gas supply costs;
 - d. Evidence that the DSM Proposal will decrease electric and/or gas rates for electric and/or gas customers for the lifetime of the proposal, program, and/or measure;
 - e. Evidence that the proposal is cost-effective, reliable, prudent, and environmentally responsible; and
 - f. The specific approvals the distribution company is requesting from the PUC.

Commented [CJ14]: We recommend that DSM proposals should include consideration of bill impacts in addition to impacts on electric and gas rates.



OVERVIEW OF OER COMMENTS





CHAPTER 1 – Least-Cost Procurement

1.1. Purpose

- A. Least-Cost Procurement comprises System Reliability Procurement, Energy Efficiency and Conservation Procurement as provided for in R.I. Gen. Laws § 39-1-27.7 and Supply Procurement as provided for in R.I. Gen. Laws § 39-1-27.8.
- B. System Reliability Procurement, Energy Efficiency and Conservation Procurement, and Supply Procurement are distinct activities with the common purpose of meeting electrical and natural gas needs in Rhode Island in a manner that is optimally cost-effective, reliable, prudent, equitable and environmentally responsible.



Equity (cont)

Chapter 1.2 – LCP Definitions

P. Equitable

The consideration that fair treatment, access to current and future opportunities, benefits, removal of barriers to participation, and advancement for all people, especially environmental justice populations, which are populations affected by past economic, ~~environmental~~ environmental, and public health inequities, and populations traditionally underrepresented in accessing the opportunities afforded by participation and inclusion in the procurement process.

Commented [OW(1): This language is adapted from the statutory language in the Act on Climate 42-6.2-2. With both AOC and the Federal Justice 40 Initiative emphasizing the role of equity and environmental justice should play in our policy and regulatory systems OER strongly encourages the inclusion of a more consistent recognition of equity in the standard.

iv. Testimony

- a. The distribution company will prefile testimony on the following:
 - (1) Cost-Effectiveness of measures, programs, and portfolios (to the extent measures and programs are identified by the distribution company);
 - (2) Prudence;
 - ~~(2)~~(3) Equity;
 - ~~(3)~~(4) Reliability;
 - ~~(4)~~(5) Environmental Responsibility; and
 - ~~(5)~~(6) Cost of Additional Supply compared to the Cost of Energy Efficiency or Conservation measures, programs, and portfolios (to the extent such measures and programs are identified by the distribution company).

Chapter 3.3.B.iv – Three-Year Plan Content – Testimony

and

Chapter 3.4.B.xiii – Annual Plan Content - Testimony



Act on Climate

Chapter 1.3C – Standards for Cost-Effectiveness Testing

iv. With respect to the value of greenhouse gas reductions, the RI Test shall include the costs of CO₂ mitigation, measured in CO₂ equivalence (CO₂e), as they are imposed and are projected to be imposed by the Regional Greenhouse Gas Initiative, Rhode Island Renewable Energy Standard and Rhode Island Act on Climate, and any other utility system costs associated with reasonably anticipated future greenhouse gas reduction requirements at the state, regional, or federal level for both electric and gas programs. The RI Test shall also include the costs and benefits of other emissions and their generation or reduction through Least Cost Procurement. ~~The RI Test may include the value of greenhouse gas reduction not embedded in any of the above.~~

Commented [OW(2)]: Using CO₂E aligns this cost basis with the Act on Climate and the broader GHG emissions reduction goals. Stipulating only CO₂ mitigation leaves open the possibility of not including all greenhouse gas emissions.

Chapter 3.2 – General Plan Design and Principles

A. Energy Efficiency and Conservation Procurement Plans (EE Plans)¹⁰ shall be designed, where possible, to complement the objectives of Rhode Island’s energy and climate programs and policies, and describe the interaction of EE Plans with these other programs, including, but not limited to, the System Reliability Procurement Plan; the Renewable Energy Standard; the Renewable Energy Growth Program; the Net Metering Program; the Long-Term Contracting for Renewable Energy Standard; all energy supply procurement plans; and Infrastructure, Safety, and Reliability Plans.

J. EE Plans shall be developed to propose strategies to achieve the energy efficiency savings targets that shall be proposed by the Council and approved by the PUC for that three-year period. Such strategies shall secure energy, capacity, and system benefits and also be designed to ensure the programs will be delivered successfully, cost-effectively, and cost-efficiently over the long term. In addition to satisfying other provisions of these Standards, the EE Plans shall contribute to a sustainable energy efficiency economy in Rhode Island, respond to and transform evolving market conditions, strive to increase participation and customer equity, and provide widespread consumer benefits while advancing the state’s climate goals and mandates.



Act on Climate (cont)

Chapter 3.3.B – Three-Year EE and Conservation Procurement Plan Content

B. Content

- i The Three-Year EE Plan will contain sections that describe the following:
 - a Consistency with the requirements of Section 1.3,
 - b. Strategies and Approaches to Planning,
 - c. Analysis of total energy likely to be saved in Rhode Island through energy efficiency over the three years, and the portion of those total energy savings that will be delivered by the distribution company’s EE programs. At a minimum, this analysis should include:
 - (1) An estimate of the total energy likely to be saved **and emissions reduced** in Rhode Island through energy efficiency over the three years, for the following fuel types: electricity, natural gas, and delivered fuels;
 - (2) For each of the fuel types, an estimate of the portion of total energy savings **and emissions reductions** that is likely to be delivered by the distribution company’s EE programs and the associated budget;
 - (3) For each of the fuel types, an estimate of the portion of total energy savings **and emissions reductions** that is likely to be delivered by state and local programs beyond the distribution company’s EE programs, and the associated budget;
 - ~~(4)~~(4) For each of the fuel types, an analysis of what entities or programs will likely deliver the remaining portion of total energy savings **and emissions reductions** that will not be delivered by the distribution company’s EE programs or other state and local programs.

Chapter 3.4.A – Annual EE and Conservation Procurement Plan Content

- iii Annual EE Plans will propose detailed budgets that include the projected costs, benefits, ~~and~~ energy saving **and emissions reduction** goals of each program.

Chapter 7.3 – DSM Investment Proposal Content

A. Testimony

- i The distribution company will prefile testimony on the following:
 - a Description of the DSM Proposal and its consistency with the purposes enumerated in Section 7.2;
 - b impact of the DSM Proposal on demand for electric or gas supply;
 - c impact of the DSM Proposal on average electric or gas supply costs;
 - d Evidence that the DSM Proposal will decrease electric and/or gas rates for electric and/or gas customers for the lifetime of the proposal, program, and/or measure;
 - e Evidence that the proposal is cost-effective, reliable, prudent, and environmentally responsible; and
 - f The specific approvals the distribution company is requesting from the PUC.

Commented [OW(5): What role does emissions reduction and/or overall reduction in energy usage play in assessing DSM proposals?



Other Comments

Chapter 1.3.C – Standards for Cost-Effectiveness Testing

iv. Benefits and costs that are projected to occur over the term of the Least-Cost Procurement investment shall be stated in present value terms in the RI Test calculation, using a discount rate that appropriately reflects the risks of the investment of customer funds in Least-Cost Procurement. Energy efficiency is a low risk resource in terms of cost of capital risk, project risk, and portfolio risk.

Commented [OW(3): Does appropriately as it is used here refer to the prudence of the investment, or does it refer to the relative level of risk associated with each category, such as the low risk associated with energy efficiency?

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Chapter 3.2 – General Plan Design and Principles

- I. Integration. EE Plans shall address how the distribution company plans to integrate gas and electric energy efficiency programs to optimize customer energy efficiency and provide benefits from synergies between the two energy systems and their respective programs amid increasing overlap in energy system usage where investment is necessary to access transitional technologies and the benefits from them.
- J. EE Plans shall be developed to propose strategies to achieve the energy efficiency savings targets that shall be proposed by the Council and approved by the PUC for that three-year period. Such strategies shall secure energy, capacity, and system benefits and also be designed to ensure the programs will be delivered successfully.

Commented [OW(4): This section is increasingly relevant in the changing landscape of electrification and the overall intertwining of energy investments, and how strategic deployment of energy efficiency measures can reduce the risk of stranded investments or contribute to efforts addressing localized energy constraints.