1. **LEAST COST PROCUREMENT (LCP) STANDARDS:** In order to adhere to the principles set forth in §39-1-27.7, and to meet RI's energy system needs in a least cost manner, the EE Standards set forth guidelines for the development of least cost energy efficiency plans**.**

| **LCP Standards section** | **Note(s)** | Complete |
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| **Introduction** | | |
| Energy Efficiency (EE) Procurement, as mandated by §39-1-27.7, is intended to complement system reliability and supply procurement as provided for in §39-1-27.8, with the common purpose of meeting electrical and natural gas energy needs in RI in a manner that is optimally cost-effective, reliable, prudent, and environmentally responsible. | | |
| **Definitions** | | |
| EE Plans should be designed, where possible, to complement the objectives of RI's energy efficiency; renewable energy; and clean energy programs, and describe their interaction with them, including, but not limited to, the SRP; Renewable Energy Standard; Renewable Energy Growth Program; Net Metering Program; and the Long-Term Contracting for Renewable Energy Standard. EE Plans should also be coordinated, where possible, with other applicable energy procurement, planning, and investment programs, including, but not limited to, Standard Offer Supply Procurement. | | |
| ***Innovation.*** EE Plans should address new and emerging issues as they relate to LCP (e.g., CHP, strategic electrification, integration of grid modernization, gas service expansion, distributed generation and storage technologies, energy efficiency services for non-regulated fuels, etc.), as appropriate, including how they may meet State policy objectives and provide system, customer, environmental, and societal benefits. | | |
| ***Comprehensiveness:*** The utility should consistently design programs and strategies to ensure that all customers have an opportunity to benefit comprehensively through types of measures or depth of services, realizing both near-term and long-lived savings opportunities where appropriate, from expanded investments in this low-cost resource. The programs should be designed and implemented in a coordinated fashion by the distribution company, in active and ongoing consultation with the EERMC. | | |
| ***Equity****:* The portfolio of programs proposed by the utility should be designed to ensure that different sectors and all customers receive opportunities to participate and secure efficiency resources lower cost than the cost of supply. | | |
| **Cost-effectiveness** | | |
| The utility shall assess the cost-effectiveness of measures, programs, and portfolios according to a benefit-cost test that builds on the Total Resource Cost Test, but that more fully reflects the policy objectives of the Statewith regard to energy, its costs, benefits, and environmental and societal impacts. The utility shall, after consultation with the EERMC, propose the specific benefits and costs to be reported, and factors to be included, in the RI Benefit Cost Test (RI Test) and include them in EE | | |

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| Plans. These benefits should include resource impacts, non-energy impacts, distribution system impacts, economic development impacts, and the value of greenhouse gas reductions, as described below. The accrual of specific non- energy impacts to only certain programs or technologies, such as income-eligible programs or CHP, may be considered. | | |
| The distribution company shall apply the following principles when developing the RI Test: | | |
| **a. Efficiency as a Resource.** EE is one of many resources that can be deployed to meet customers' needs. It should, therefore, be compared with both supply-side and demand-side alternative energy resources in a consistent and comprehensive manner. | | |
| **b. Energy Policy Goals.** RI's cost-effectiveness test should account for its applicable policy goals, as articulated in legislation, PUC orders, regulations, guidelines, and other policy directives. | | |
| **c. Hard-to-Quantify Impacts.** Efficiency assessment practices should account for all relevant, important impacts, even those that are difficult to quantify and monetize. | | |
| **d. Symmetry.** Efficiency assessment practices should be symmetrical, for example, by including both costs and benefits for each relevant type of impact. | | |
| **e. Forward Looking**. Analysis of the impacts of efficiency investments should be forward-looking, capturing the difference between costs and benefits that would occur over the life of efficiency measures with those that would occur absent the EE investments. Sunk costs and benefits are not relevant to a cost-effectiveness analysis | | |
| **f. Transparency.** Efficiency assessment practices should be completely transparent, and should fully document and reveal all relevant inputs, assumptions, methodologies, and results. | | |
| With respect to the value of greenhouse gas (GHG) reductions, the RI Test shall include the costs of $CO_2$ mitigation as they are imposed and are projected to be imposed by RGGI. The RI Test shall also include any other utility system costs associated with reasonably anticipated future GHG reduction requirements at the state, regional, or federal level for both electric and gas programs. A comparable benefit for GHG reduction resulting from natural gas or delivered fuel EE or displacement may be considered. The RI Test may include the value of GHG reduction not embedded in any of the above. The RI Test may also include the costs and benefits of other emissions and their generation or reduction through LCP | | |
| Benefits and costs that are projected to occur over the term of the EE Plans 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 EE; in other words, a discount rate that indicates that EE is a low-risk resource in terms of cost of capital risk, project risk, and portfolio risk. The discount rate shall be reviewed and updated in the EE Plans to ensure that the applied discount rate is based on the most recent information available. | | |
| The distribution company shall provide a discussion of the carbon impacts efficiency and reliability investment plans will create, whether captured as benefits or not. | | |

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| The distribution company shall measure cost effectiveness according to the RI Test. In order to assess the impact of adopting the RI Test, the distribution company shall provide a comparison of its cost-effectiveness analysis under the Total Resource Cost (TRC) Test to the RI Test, for each 2018, 2019 and 2020 Annual Plan filing. | | |
| **Reliable** | | |
| Build on prior plans. EE Plans shall describe the recent EE programs offered by the utility and highlight how the EE Plans supplement and expand upon these offerings at the appropriate level of detail, including, but not limited to, new measures, implementation strategies, measures specifically intended for demand or load management, and new programs as appropriate. | | |
| a. Build on prior programs. Utility program development shall proceed by building upon what has been learned to date in distribution company program experience, systematically identifying new opportunities and pursuing comprehensiveness of measure implementation, as appropriate and feasible. | | |
| **Prudent** | | |
| Plan based on potential assessments. The distribution company shall use the Council's Opportunity Report, as issued on July 15, 2008, or other assessments of potential, as resources in developing its Three-Year Plan. The distribution company shall include in its Three-Year Plan an outline of proposed strategies to supplement and build upon these assessments of potential. | | |
| Unlocks capital and effectively uses funding sources. Energy Efficiency Plans shall include a section outlining and discussing new strategies to make available the capital needed to effectively overcome barriers to implement projects in addition to direct financial incentives provided in order to cost-effectively achieve the Least Cost Procurement mandate. Such proposed strategies shall move beyond traditional financing strategies and shall include new capital availability strategies and partnerships that effectively overcome market barriers in each market segment in which it is feasible to do so. | | |
| Integration. Energy Efficiency 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. | | |
| Three-Year 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 Three- Year Plan shall contribute to a sustainable energy efficiency economy in Rhode Island, respond to and transform evolving market conditions, strive to increase participation, and provide widespread consumer benefits. | | |
| Energy Efficiency investments shall be made on behalf of all customers. This will ensure consistency | | |

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| with existing program structure under which all customers pay for, and benefit from, Rhode Island's efficiency programs. | | |
| Efficacy. All efforts to establish and maintain program capability 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. | | |
| **Environmentally Responsible** | | |
| Environmental responsibility is indicated by the procurement of energy savings, compliance with State environmental policies, and the proper valuation of greenhouse gas reduction benefits. | | |
| **EE Program Plan** | | |
| The distribution company shall prepare and file a supplemental filing containing details of implementation plans by program for the next program year (Annual Energy Efficiency Plan or Annual Plan). Beginning in 2014, the Annual Plan shall be filed on October 15, except in years in which a Three-Year Plan is filed; in those years, the Annual Plan filing shall be made on November 1. The Annual Plan filings shall also provide for adjustment, as necessary, to the remaining years of the Three-Year Plan based on experience, ramp-up, and assessment of the resources available. | | |
| ***Principles of Program Design.*** The Annual Plan shall identify and contain programs proposed for implementation by the distribution company pursuant to the Three-Year Plan and which demonstrate consistency with the principles of program design described above in Section 1.2. | | |
| ***Cost-effectiveness.*** The distribution company shall propose a portfolio of programs in the Annual 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. The portfolio must be cost-effective and programs should be cost-effective, except as noted below | | |
| i.The distribution company 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. | | |
| ii. The distribution company shall allocate funds to the Council and OER as specified in R.I. Gen. Laws § 39-2-1.2. These allocations will not be subject to cost-effectiveness considerations. However, these costs shall be included in the assessment of portfolio-level cost-effectiveness. | | |
| ***Parity.*** 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 distribution company should design programs to capture all resources that are cost-effective and lower cost than supply. The distribution company should consult with the Council to address ongoing issues of parity | | |
| ***Final Funding Plan and Budget Amounts, Cost-Effectiveness, and Goals*** | | |

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| i. The distribution company shall include a detailed budget for the Annual 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 total resource cost of efficiency resources in cents/lifetime kWh or cents/lifetime MMBtu.<br>ii. The Annual Plans filed October 15 or November 1 will reflect program implementation experience and anticipated changes, shifts in customer demand, changing market costs, and other factors, including a discussion of market transformation impacts as noted above in Section 1. The annual detailed budget update shall include the projected costs, benefits, and energy saving goals of each program, as well as the total resource cost of efficiency resources in cents/lifetime kWh or cents/lifetime MMBtu.<br>iii. The Annual Plan shall identify the energy cost savings and bill impacts that Rhode Island ratepayers will realize through its implementation. | | |
| Program Descriptions<br>The distribution company shall, as part of its Annual Plan, describe each program, how it will reach its target market, and how it will be implemented. In these descriptions, the distribution company shall demonstrate, as appropriate, how the program is consistent with the principles of program design described above.<br>In addition to these basic requirements, the Annual Plan shall address, where appropriate, the following elements:<br>i. comprehensiveness of opportunities addressed at customer facilities;<br>ii. integration of electric and natural gas energy efficiencyimplementation and delivery (while still tracking the cost-effectiveness of programs by fuel); energy efficiency opportunities for delivered fuels customers should be addressed to the extent possible;<br>iii. integration of energy efficiency programs with renewables and other System Reliability Procurement Plan elements;<br>iv. promotion of the effectiveness and efficiency levels of codes, standards, and other market transforming strategies; if the distribution company 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;<br>v. implementation, where cost-effective, of demand response and load management measures or other 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;<br>vi. and integration with non-wires alternatives | | |
| ***Monitoring and Evaluation (M&E) Plan***<br>The M&E Plan shall address at least the following: | | |

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| a. savings verification, including, where appropriate, analysis of customer usage; such savings verification should also facilitate participation in ISO-NE's forward capacity market;<br>b. issues of ongoing program design and effectiveness;<br>c. any other issues, for example, efforts related to market assessment and methodologies to claim savings from market effects, among others;<br>d. a discussion of regional and other cooperative M&E efforts the distribution company is participating in, or plans to participate in; and<br>e. longer-term studies, as appropriate, to assess programs over time.<br><br>The distribution company shall include in its M&E Plan any changes it proposes to the frequency and level of detail of distribution company program plan filing and subsequent reporting of results. | | |
| ***Reporting Requirements***<br>The distribution company, 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 and program participation levels across all sectors, to secure all EE resources that are lower cost than supply. | | |
| **Efficiency Performance Incentive Plan** | | |
| Pursuant to R.I. Gen. Laws § 39-1-27.7(e) and § 39-1-27.7.1, the distribution company shall have an opportunity to earn a shareholder incentive that is dependent on its performance in implementing the approved Annual Plan.<br>i. The distribution company, in consultation with the Council, will propose in its Three-Year Plan and subsequent Annual Plans a Performance Incentive (PI) Plan that is designed to promote superior distribution company performance in cost-effectively and efficiently securing for customers all efficiency resources lower cost than supply.<br>ii. The PI 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.<br>iii. The distribution company PI model currently in place in Rhode Island should be reviewed by the distribution company and the Council. The distribution company and Council shall also review incentive programs and designs in other jurisdictions, including those with penalties and increasing levels of incentives based on higher levels of performance.<br>iv. The PI may provide incentives for other objectives that are consistent with the goals, including, but not limited to, comprehensiveness; customer equity; lifetime net benefits; increased customer access to capital; and market transformation. | | |
| The PI should be sufficient to provide a high level of motivation for excellent distribution company | | |

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| performance annually and over the three-year period of the Three-Year Plan, but structured so that customers receive most of the benefit from energy efficiency implementation. | | |
| The PI shall state clearlyeach specific objective it is designed to direct the distribution company to achieve and the reason it is needed to do so. The design of the PI shall be clear and focused, have clear metrics for determining performance, not duplicate incentives, and not provide multiple or different incentives for attaining the same objective. | | |
| **Role of the Council in Energy Efficiency Plan Development and Approval** | | |
| The Council shall take a leadership role in ensuring that Rhode Island ratepayers receive excellent value from the Three-Year Plan being implemented on their behalf. The Council shall do this by collaborating closely with the distribution company on design and implementation of the M&E efforts presented by the distribution company under the terms of Section 1.4.D and, if necessary, provide recommendations for modification that will strengthen the assessment of distribution company programs. | | |
| In addition to the other roles for the Council indicated in this filing, the distribution company shall seek ongoing input from, and collaboration with, the Council on development of the Three-Year Plan and Annual Plans, and on development of annual updates, if any, to the Three-Year Plan. The distribution companyshall seek to receive the endorsement of the Energy Efficiency Plan by the Council prior to submission to the PUC. | | |
| The distribution company shall, in consultation with the Council, propose a process for Council input and review of its Three-Year Plan and Annual Plan. This process is intended to build on the mutual expertise and interests of the Council and the distribution company, as well as meet the oversight responsibilities of the Council. | | |
| The distribution company shall submit a draft Annual Plan to the Council and the Division of Public Utilities and Carriers for their review and comment annually, at least one week before the Council's scheduled meeting prior to the filing date that year. | | |
| The Council shall vote whether to endorse the Annual Plan prior to the prescribed filing date. If the Council does not endorse the Annual Plan, the Council shall document its reasons and submit comments on the Annual Plan to the PUC for its consideration in final review of the Annual Plan. | | |
| The Council shall prepare memos on its assessment of the cost effectiveness of the Three-Year Plans and Annual Plans, pursuant to R.I. Gen. Laws §39-1-27.7(c )(5), and submit them to the PUC no later than ~~two~~ three weeks following the filing of the respective Energy Efficiency Plans with the PUC. | | |