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Update on Docket No. 24-06-EE
System Reliability Procurement Investment Proposal for
Electric Demand Response 2024-2026 (ConnectedSolutions)
For Energy Efficiency Council July 18, 2024, Meeting

Docket Webpage
https://ripuc.ri.gov/Docket-24-06-EE

Open Meeting held July 1, 2024
Recording: https://video.ibm.com/recorded/133759604
Decisions (circulated to distribution list by Commission's counsel):

(1) The Commission approved a three-year implementation budget of $28,567,500 for the Company to implement demand response programs through its Connected Solutions initiative for calendar years 2024, 2025, and 2026 (Three-Year Budget), within the scope of and consistent with the types of costs that were proposed by the Company in the five "Pathways" (i.e., programs) identified in its filing. This Three-Year Budget figure is exclusive of the proposed regulatory allocation to OER and EERMC, and the Company's estimated performance incentive.

(2) The Commission declined to pre-approve any of the program design and implementation details proposed by the Company in its filing. All decisions regarding program design and implementation, including incentive levels, timing, contracting, terms & conditions, commitments, and other related program implementation details are left to the management discretion of the Company in its prudent management of the Connected Solutions initiative, exercised consistent with the Company achieving the goal of maximizing the amount of total electric bill savings to all ratepayers as a whole over the three-year implementation period. The implementation period comprises calendar years 2024, 2025, and 2026 (Implementation Period).

(3) The Company is directed to file an SRP Factor that is designed to collect an amount equal to the Three-Year Budget, plus the applicable regulatory allocation calculated for OER, over a 29-month period, commencing for usage on and after August 1, 2024. This shall be a level factor without annual adjustments.

(4) The Company's forecasted performance incentive shall not be included in the calculation of the SRP Factor. The Company may seek recovery of any applicable performance incentive at the end of the Implementation Period.

(5) The Company's estimate for a proposed regulatory allocation to EERMC shall be omitted from the SRP Factor.

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(6) The Commission approves a Cost Recovery Mechanism (CRM) for the Connected Solutions initiative, as follows:

   a. At the end of the Implementation Period, the Company will file an accounting of its costs and shall be permitted to recover its costs that were prudently incurred during the Implementation Period, up to an amount equal to (i) the Three-Year Budget, plus (ii) a cost recovery buffer of 5%, (CRM Cap).

   b. Costs eligible for recovery through the CRM shall be those prudently incurred costs incurred during calendar years 2024, 2025, and 2026 within the scope of and consistent with the types of costs that were identified by the Company in the five "Pathways" (i.e., programs) described in the proceeding.

   c. The Company is not precluded from spending above the CRM Cap, but any such incremental amount of spending shall be recorded as ordinary operation & maintenance expenses that are not eligible for recovery under the CRM.

   d. To the extent that the Company's program spending is less than the Three-Year Budget at the end of the Implementation Period, the difference shall be deferred as a regulatory liability owed to customers for purposes of crediting the amount to ratepayers in a manner to be determined by the Commission.

(7) The Company shall file annual progress reports with the Commission by February 15 following each year of the Implementation Period which summarizes the results of the programs implemented through the Connected Solutions initiative for the prior year, including a description of program implementation details and estimates of cost incurrence and savings achieved, and an accounting of the cumulative collections from the SRP Factor to date. For the report filed in February of 2026, the report shall include cumulative cost incurrence and savings achieved to date since the beginning of the Implementation Period. On or before November 22, 2026, the Company also shall file the Company's best estimate of any performance incentive the Company is forecasting it will have earned over the Implementation Period.

(8) A final reconciliation shall be filed by no later than February 15, 2027, including a reconciliation of eligible costs to the Three-Year Budget, CRM Cap, and total revenue collected through the applicable SRP Factor. The filing shall include a proposed adjusted SRP Factor, effective for usage on and after April 1, 2027, designed to recover what the Company proposes for its earned performance incentive applicable to the Implementation Period and any over or under-recovery of the Three-Year Budget amount.

(9) The Commission approved the following:

a. A three-year performance incentive as the sum of each annual performance incentive calculated at the end of the three-year program.
b. The proposed definition of eligible costs as annual actual program costs minus regulatory allocation.
c. The annual avoided electric bill cost factors as shown in Tables 13, 14, and 15 of Schedule 1, Appendix 1.
d. The calculation of benefits shown in the equation on page 68 with one adjustment so that benefits associated with capacity summer generation are associated with the actual peak hour reduction.
e. The performance measure is spending efficiency, where annual spending efficiency is defined as actual net benefits/actual program costs.
f. Payout rates based on spending efficiency where
    i. For category A where the spending efficiency is greater than or equal to 0.60, the applicable payout rate is 18% with a cap at $3,200,000
    ii. For category B where the spending efficiency is greater than or equal to 0.41 and less than 0.60, the applicable payout rate is 10%
    iii. For category C where the spending efficiency is greater than or equal to 0.205 and less than 0.40, the applicable payout rate is 5% (Note, 0.40 should be 0.41 – this will be corrected at the next Open Meeting).
    iv. For category D where the spending efficiency is less than 0.205, the payout rate is 0%.

The table below is provided for ease of reference:

Company proposal spending efficiency = $11.8m/$28.6m=0.41 (from RR-6, pg. 7)

Spending Efficiency Category	**3 Year Spending Efficiency Measure**	**Applicable Payout Rate**
A	0.60 ≤ Spending Efficiency	18% with cap at $3,200,000
B	0.41 ≤ Spending Efficiency < 0.60	10%
C	0.205 ≤ Spending Efficiency < 0.41	5%
D	Spending Efficiency < 0.205	0.0

g. The calculation of shareholder incentive payout as: Shareholder incentive is equal to the lesser of the applicable payout rate x net benefits and the cap.