

**STATE OF RHODE ISLAND PUBLIC UTILITIES COMMISSION**

**LEAST COST PROCUREMENT STANDARDS (Last modified**

**in Docket 23-07-EE)**

## Table of Contents

CHAPTER 1 – Least Cost Procurement .....	2
1.1. Purpose.....	2
1.2. Definitions.....	2
1.3. Standards.....	4
1.4. Performance Incentive Plan.....	8
CHAPTER 2 – Three Year Least Cost Procurement Report and Targets.....	9
2.1. Intent.....	9
2.2. Purpose.....	9
2.3. Content.....	9
2.4. Timing.....	10
2.5. PUC Orders.....	10
CHAPTER 3 – Energy Efficiency and Conservation Procurement Plans.....	11
3.1. Intent.....	11
3.2. General Plan Design and Principles.....	11
3.3. Three Year Energy Efficiency and Conservation Procurement Plan.....	13
3.4. Annual Energy Efficiency and Conservation Procurement Plans.....	16
CHAPTER 4 – Three Year System Reliability Procurement Plan.....	22
4.1. Intent.....	22
4.2. Purpose.....	22
4.3. General Plan Design and Principles.....	22
4.4. Content.....	22
4.5. PUC Orders.....	24
4.6. Timing.....	24
CHAPTER 5 – System Reliability Procurement Investment Proposal.....	25
5.1. Intent.....	25
5.2. Purpose.....	25
5.3. Content.....	25
5.4. Orders.....	25
5.5. Timing.....	25
CHAPTER 6 – Role of the Council in Plan Development and Approval.....	26
6.1. Intent.....	26
6.2. Guidelines for Energy Efficiency and Conservation Plans.....	26
6.3. Guidelines for System Reliability Procurement Plans and Proposals.....	27
CHAPTER 7 – Demand Side Management Investment Proposal.....	30
7.1. Intent.....	30
7.2. Purpose.....	30

7.3	Content .....	30
7.4	Orders .....	31
7.5	Timing .....	31
<b>CHAPTER 1 – Least-Cost Procurement .....</b>		<b>4</b>
1.1.	Purpose .....	4
1.2.	Definitions .....	4
1.3.	Standards .....	6
1.4.	Performance Incentive Plan .....	10
<b>CHAPTER 2 – Three-Year Least-Cost Procurement Report and Targets .....</b>		<b>10</b>
2.1.	Intent .....	10
2.2.	Purpose .....	10
2.3.	Content .....	10
2.4.	Timing .....	11
2.5.	PUC Orders .....	12
<b>CHAPTER 3 – Energy Efficiency and Conservation Procurement Plans .....</b>		<b>13</b>
3.1	Intent .....	13
3.2	General Plan Design and Principles .....	13
3.3	Three-Year Energy Efficiency and Conservation Procurement Plan .....	15
3.4	Mid-term Modifications .....	28
<b>CHAPTER 4 – Three-Year System Reliability Procurement Plan .....</b>		<b>29</b>
4.1	Intent .....	29
4.2	Purpose .....	29
4.3	General Plan Design and Principles .....	29
4.4	Content .....	29
4.5	PUC Orders .....	31
4.6	Timing .....	31
<b>CHAPTER 5 – System Reliability Procurement Investment Proposal .....</b>		<b>31</b>
5.1	Intent .....	31
5.2	Purpose .....	32
5.3	Content .....	32
5.4	Orders .....	32
5.5	Timing .....	32
<b>CHAPTER 6 – Role of the Council in Plan Development and Approval .....</b>		<b>32</b>
6.1	Intent .....	32
6.2	Guidelines for Energy Efficiency and Conservation Plans .....	32
6.3	Guidelines for System Reliability Procurement Plans and Proposals .....	34
<b>CHAPTER 7 – Demand Side Management Investment Proposal .....</b>		<b>36</b>
7.1	Intent .....	36

<u>7.2</u>	<u>Purpose .....</u>	<u>36</u>
<u>7.3</u>	<u>Content .....</u>	<u>36</u>
<u>7.4</u>	<u>Orders .....</u>	<u>37</u>
<u>7.5</u>	<u>Timing .....</u>	<u>37</u>

## 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, and environmentally responsible.
- C. Pursuant to R.I. Gen. Laws § 39-1-27.7(a), the Public Utilities Commission (PUC or Commission) adopts standards and guidelines for System Reliability Procurement and Energy Efficiency and Conservation Procurement. These Standards shall apply to any System Reliability Procurement and Energy Efficiency and Conservation Procurement as defined below, including proposals of such procurement outside of the System Reliability Procurement Plans and Energy Efficiency and Conservation Procurement Plans described below
- D. Pursuant to R.I. Gen. Laws § 39-1-27.7(c)(2), the PUC adopts standards for System Reliability Procurement Plans and Energy Efficiency and Conservation Procurement Plans. Standards for Plans shall apply to the Plans described in Chapters 3 and 4.
- E. The PUC’s guidance on rate design, goals for the electric system, and benefits and costs shall apply to both electric and natural gas System Reliability Procurement and Energy Efficiency and Conservation Procurement, as defined below and to the extent possible.<sup>1</sup>

### 1.2. Definitions

#### A. Energy Efficiency Procurement

Procurement of a resource that provides electric or gas energy supply through measures that use less energy to meet demand while providing the same end-use performance.

#### B. Conservation Procurement

Procurement of a resource that avoids energy use by reducing end-use performance or that avoids energy costs by displacing high-cost energy use with low-cost energy use.

#### C. System Reliability Procurement

Procurement to meet or mitigate a gas or electric system need or optimization from

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<sup>1</sup> The application would not apply to instances in which realities and conditions in the gas utility are not reasonably analogous to the electric utility. Per the definition of System Reliability Procurement, the application would not apply to all gas system procurement proposals (for example the annual Gas Infrastructure, Safety, and Reliability Plans) or gas supply procurement, but would only apply to portions of those proposals that met the procurement definitions in Section 1.2.

a party other than the gas or electric utility<sup>2</sup> that provides the ~~need or need~~ optimization by employing diverse energy resources, distributed generation, or demand response<sup>3</sup>.

#### D. Utility Reliability Procurement

Procurement to meet or mitigate a gas or electric system need or optimization that is not System Reliability Procurement is a utility investment.<sup>4</sup>

#### E. System Needs

- i. Electric System Needs: Needs to serve both customer load and customer generation, including, but not limited to, system capacity (normal and emergency), voltage performance, reliability performance, protection coordination, fault current management, reactive power compensation, asset condition assessment, distributed generation constraints, operational considerations, and customer requests.
- ii. Gas System Needs: Needs to serve customers, including, but not limited to, system capacity (normal and emergency), pressure management, asset condition assessment, gas service that supports electric distributed generation, and operational considerations.

#### F. Optimization of System Performance

Improvement of the performance and efficiency<sup>5</sup> of the gas or electric system that includes enhanced reliability, peak load reduction, improved utilization of both utility and non-utility assets, optimization of operations, and reduced system losses.

#### G. Cost-effectiveness

The measure of a resource's benefits divided by costs as defined in the Rhode Island Benefit Cost Test.

#### H. Rhode Island Benefit Cost Test (RI Test)

All rows in the first column of the Rhode Island Benefit Cost Framework (RI Framework) provided in Appendix B of the Stakeholder Working Group Process Report to the Rhode Island Public Utilities Commission in Docket No. 4600<sup>6</sup> and adopted by the PUC as in Docket No. 4600A Public Utilities Commission's Guidance on Goals, Principles and Values for Matters Involving The Narragansett Electric Company d/b/a National Grid.<sup>7</sup>

#### I. Cost Test

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<sup>2</sup> A utility proposal to own and operate non-traditional investment or new operations and maintenance services, such as new voltage-regulation equipment, battery storage, or vegetation management, and any vendor services associated with such investment or service, shall not be considered System Reliability Procurement per this definition. Such investments and services are, however, still subject to the Guidance Document issued in Docket No. 4600A.

<sup>3</sup> Including, but not limited to, the resources named in R.I. Gen. Laws § 39-1-27.7(a)(1)(i)-(iii).

<sup>4</sup> For example, many such Utility Reliability Procurement investments and operations are proposed in annual Infrastructure, Safety, and Reliability Plans filed pursuant to R.I. Gen. Laws § 39-1-27.7.1(c)(2).

<sup>5</sup> Efficiency includes both long- and short-term cost efficiency.

<sup>6</sup> See [http://www.ripuc.ri.gov/eventsactions/docket/4600-WGReport\\_4-5-17.pdf](http://www.ripuc.ri.gov/eventsactions/docket/4600-WGReport_4-5-17.pdf).

<sup>7</sup> See <http://www.ripuc.ri.gov/eventsactions/docket/4600A-GuidanceDocument-Final-Clean.pdf>.

An assessment practice that compares a set of costs and benefits that are relevant to a defined point of view.

J. Cost of Supply

The cost of electric or natural gas energy supply that includes all rows in the Rhode Island Benefit Cost Framework that are costs caused by or associated with the procurement of energy supply, whether internal or external to the market cost of energy.

K. Cost of Energy Efficiency or Conservation

The cost of electric or natural gas energy efficiency that includes all rows in the Rhode Island Benefit Cost Framework that are costs caused by or associated with the procurement of energy supply, whether internal or external to the market cost of efficiency.

L. Three-Year Least-Cost Procurement Report and Targets

Least-Cost Procurement findings and recommendations of the Office of Energy Resource (OER) and the Energy Efficiency Resource Management Council (Council) filed triennially, either jointly or separately, to the PUC pursuant to R.I. Gen. Laws § 39-1-27.7(c)(1).

M. Three-Year Energy Efficiency and Conservation Procurement Plan

An Energy Efficiency and Conservation Procurement plan spanning three years filed by the gas and electric distribution companies with the PUC pursuant to R.I. Gen. Laws §§ 39-1-27.7(c)(4).

N. Annual Energy Efficiency ~~and Conservation Procurement plan~~ Surcharge Filing

An annual Energy Efficiency and Conservation ~~Procurement Plan spanning one year filed by surcharge filing that reconciles the gas and electric distribution companies prior year's rate~~ with the PUC pursuant to R.I. Gen. Laws § 39-1-27.7(c)(5)-actual spending.

O. Three-Year System Reliability Procurement Plan

A System Reliability Procurement Plan spanning three years filed by the gas and electric distribution companies with the PUC pursuant to R.I. Gen. Laws §§ 39-1-27.7(c)(4).

P. Mid-term Modification

A significant change to an approved Three-Year Plan that should be reviewed by the Council and approved by the PUC.

1.3. Standards

- A. Least-Cost Procurement shall be cost-effective, reliable, prudent, and environmentally responsible. Least-Cost Procurement that is Energy Efficiency and Conservation Procurement shall also be lower than the cost of additional energy supply. System Reliability Procurement shall be lower than the cost of the best alternative Utility Reliability Procurement.

- B. When preparing any cost test or resource assessment, including the RI Test, the following principles will be applied:
- i. Supply-side and demand-side alternative energy resources shall be compared in a consistent and comprehensive manner.
  - ii. Cost tests shall be created using the RI Framework and account for applicable policy goals, as articulated in legislation, PUC orders, regulations, guidelines, and other policy directives.
  - iii. Cost tests shall account for all relevant, important impacts, even those that are difficult to quantify and monetize. Where applicable cost or benefit categories cannot be quantified, such categories shall be qualitatively assessed.<sup>8</sup>
  - iv. Cost tests shall be symmetrical, for example, by including both costs and benefits for each relevant type of impact.
  - v. Analyses of the impacts of investments shall be forward-looking, capturing the difference between costs and benefits that would occur over the life of the investments with those that would occur absent the investments. Sunk costs and benefits are not relevant to a cost-effectiveness analysis.
  - vi. Cost tests shall be completely transparent and should fully document and reveal all relevant inputs, assumptions, methodologies, and results.
- C. Cost-Effective
- i. The PUC shall determine cost-effectiveness in a manner consistent with the PUC's Guidance Document issued in Docket No. 4600A.
  - ii. The distribution company shall assess the cost-effectiveness of measures, programs, and portfolios of Least-Cost Procurement. All categories of the RI Test are applicable to cost-effectiveness, although some categories may have no or unknown value. The distribution company shall assess cost-effectiveness using, at a minimum, the following two cost-effectiveness analyses:
    - a. An analysis that, for categories with value or cost that is shared between Rhode Island Energy and other jurisdictions (both within the state and region), presents benefits and costs without allocating them between Rhode Island Energy and other jurisdictions;
    - b. An analysis that, for categories with value or cost that is shared between Rhode Island Energy and other jurisdictions (both within the state and region), presents only those benefits and costs that will be allocated to Rhode Island Energy.
  - iii. The distribution company shall provide the specific benefit- and cost-factors included in determining the RI Test ratios.
  - iv. With respect to the value of greenhouse gas reductions, the RI Test shall include the costs of greenhouse gas emissions mitigation (measured in CO<sub>2</sub> equivalents) 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

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<sup>8</sup> Qualitative assessments may include relative descriptions of magnitude and direction.

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 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.

#### D. Reliable

- i. The distribution company shall assess the
  - a. ability of Least-Cost Procurement investments to meet the energy supply or delivery system needs.
  - b. ability of previous investments, including identical or similar investments, to support the conclusion that a new investment is reliable, and
  - c. potential for implementation issues, including available workforce, market continuity, program scalability.
- ii. As applicable, the distribution company also shall assess an investment's
  - a. ability to meet specific identified system needs;
  - b. anticipated reliability as compared to alternatives;
  - c. operational complexity and flexibility;
  - d. resiliency of the system;
  - e. risks associated with investment (for example, the ability to obtain licensing and permitting, significant risks of stranded investment, the potential risk reduction of a more incremental approach, sensitivity of alternatives to differences in load forecasts, and emergence of new technologies, etc.);
  - f. risks associated with customers' behavior, responsiveness, and ability to potentially modify usage at certain times and seasons; and
  - g. relative changes in other risks that are applicable to the investment, such as reduced (or increased) public safety risk.
- iii. The distribution company shall supply any other information that the company believes supports a finding that an investment is reliable.

#### E. Prudent

- i. The distribution company shall assess:
  - a. how the investment supports the goals of the electric or natural gas system and the purposes of Least-Cost Procurement.
  - b. potential for synergy savings based on alternatives that address multiple needs;
  - c. how the entire investment proposal affects the risks of ratepayers and the distribution company;
  - d. how the investment effectively uses available funding sources and integrates with energy programs and policies; and
  - e. how the investment is equitable in consideration of the allocation of costs, the allocation of benefits, customer access, and customer participation. ~~This shall~~ This shall be done by, at minimum, assessing which groups have historically received disproportionately lower benefits from LCP investments

and by presenting other appropriate, quantifiable metrics that describe how an investment is equitable.

- ii. The distribution company shall provide rate impacts to a range of customer types and usage levels, and shall provide bill impacts, and shall provide how these impacts were considered in the proposed investment.
- iii. The distribution company may provide additional cost tests to support a finding that an investment is prudent.
- iv. The distribution company shall supply any other information that the company believes supports a finding that an investment is prudent.

#### F. Environmentally Responsible

- i. The distribution company shall assess how investment complies with State environmental and climate policies and shall properly value environmental and climate costs and benefits.
- ii. The distribution company shall assess how the investment affects environmental and climate pollution, where applicable, at a local, regional, and global scale.

#### G. Lower than the Cost of Additional Supply

- i. The distribution company shall compare the Cost of Supply and the Cost of Energy Efficiency or Conservation measures, programs, and portfolios using all costs enumerated in the RI Framework. The distribution company shall provide specific costs included in the Cost of Energy Supply and the Cost of Energy Efficiency or Conservation.
- ii. The Cost of Energy Supply shall, at a minimum, include costs associated with generation, transmission, and distribution of electricity and/or natural gas. Additional energy supply shall mean supply that would be incremental to marginal energy supply.
- iii. The distribution company shall compare the Cost of Supply and Cost of Energy Efficiency or Conservation measures, programs, and portfolios using, at a minimum, the following two cost of supply analyses:
  - a. An analysis that, for categories with value or cost that is shared between Rhode Island Energy and other jurisdictions (both within the state and region), presents benefits and costs without allocating them between Rhode Island Energy and other jurisdictions;
  - b. An analysis that, for categories with value or cost that is shared between Rhode Island Energy and other jurisdictions (both within the state and region), presents only those benefits and costs that will be allocated to Rhode Island Energy.
- iv. The distribution company shall describe which costs in the RI Framework were included in the Cost of Supply and which costs are included in the Cost of Energy Efficiency or Conservation. For any categories that are not included in either the Cost of Supply or the Cost of Energy Efficiency or Conservation, the distribution company shall describe why these categories are not included.

#### H. Lower than the cost of the best alternative Utility Reliability Procurement

- i. The distribution company shall compare the cost of System Reliability Procurement measures, programs, and/or portfolios to the cost of the best alternative Utility Reliability Procurement option using all applicable costs

enumerated in the RI Framework. The distribution company shall provide specific costs included in the Cost of System Reliability Procurement.

- ii. At a minimum, the comparison shall include the applicable cost categories in a Total Resources Cost Test.
- iii. The distribution company shall describe which costs in the RI Framework were included in the cost of System Reliability Procurement and which costs are included in the alternative Utility Reliability Procurement. For any categories that are not included in either, the distribution company shall describe why these categories are not included.

#### 1.4. Performance Incentive Plan

- A. 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 Least-Cost Procurement.
  - i. The distribution company, in consultation with the Council, may propose Performance Incentives (PI) that are designed to promote superior distribution company performance in cost-effectively securing least-cost resources for customers.
  - ii. The PI may be designed to promote other objectives that are consistent with other goals of the distribution system.
  - iii. The PI shall be consistent with the PUC's Guidance on Principles for the Development and Review of Performance Incentive Mechanisms adopted in Docket No. 4943.<sup>9</sup>

## CHAPTER 2 – Three-Year Least-Cost Procurement Report and Targets

### 2.1. Intent

- A. This Chapter provides standards and guidelines for System Reliability and Energy Efficiency and Conservation Procurement findings and recommendations filed with the PUC pursuant to R.I. Gen. Laws § 39-1-27.7(c)(1).

### 2.2. Purpose

- A. The Three-Year Least-Cost Procurement Report and Targets (Report) shall serve as guidance for Least-Cost Procurement proposed by the distribution company over the following three years. This includes proposals within and beyond plans defined in Chapter 1.2.M and N.
- B. Consistent with R.I. Gen. Laws §§ 39-1-27.7.1(e)(4) and (f), the Report filed by the Council or jointly by the Council and the OER shall be considered in any shared-savings mechanism established by the PUC.

### 2.3. Content

- A. Energy Efficiency and Conservation Procurement Targets
  - i. The Report shall contain findings and recommendations of savings targets for electric and natural gas through Energy Efficiency and Conservation Procurement

<sup>9</sup> See <http://www.ripuc.ri.gov/eventsactions/docket/4943page.html>.

- over a three- to six-year time period.
- ii. The Report may identify strategies for achieving savings targets over at least a three-year period.
  - iii. The Report shall provide discussion of how the savings targets are cost-effective and are supported by one or more relevant market potential assessments.
  - iv. The Report shall explain if the savings targets are intended to represent investments that are also reliable, prudent, environmentally responsible, and less than the cost of supply and, if so, how the savings targets meet these standards.
- B. System Reliability Procurement Recommendations
- i. The Report may contain recommendations for processes, including screening criteria, for identifying System Reliability Procurement investments that potentially meet Least-Cost Procurement Standards.
  - ii. The report may identify strategies and technologies that potentially contribute to System Reliability Procurement.
- C. Performance Incentive Plans
- i. The Report may identify recommendations for performance incentives that the distribution company is eligible to earn through Least-Cost Procurement.
- D. Least-Cost Procurement Standards
- i. The Report may identify recommendations for updates to Least Cost-Procurement Standards.
- E. Recommended Rulings
- i. The Report shall state any findings the Council and/or OER recommend the PUC adopt by order.
- F. Stakeholder Processes
- i. The Report shall contain, as an attachment, minutes of public Council meetings at which the Report was discussed.
  - ii. The Report shall contain, as an attachment, any visual presentations related to the development of the Report made at public Council meetings.

#### 2.4. Timing

- A. OER and the Council shall file the Report ~~on or before March 1, 2008 and~~ triennially on or before ~~March~~September 1 of the year before a three-year plan is due (e.g., Sep 1, thereafter through March 1, 2024-2025 for the three-year plan to be filed in 2026).
- B. The PUC may extend the deadline in paragraph A above for good cause shown by OER and the Council.
- C. Findings and recommendations for System Reliability Procurement may be filed separately from those for Energy Efficiency and Conservation Procurement. Recommendations for Least-Cost Procurement Standards identified pursuant to 2.3.D may be filed separately from System Reliability and Energy Efficiency and Conservation Procurement findings and recommendations.

2.5. PUC Orders

- A. The PUC will conduct a public proceeding for its review of the Report.
- B. At the conclusion of the public proceeding, the PUC will order the adoption of three-year targets for Energy Efficiency and Conservation Procurement that are consistent with these Standards and the Purposes of this Chapter.
- C. The PUC may order adoption of any other recommendations supported by the Report and consistent with Least-Cost Procurement and all applicable statutes, rules, and policies.

## CHAPTER 3 – Energy Efficiency and Conservation Procurement Plans

### 3.1 Intent

- A. This Chapter provides standards and guidelines for Energy Efficiency and Conservation Procurement Plans filed with the PUC pursuant to R.I. Gen. Laws §§ 39-1-27.7(c)(4) and (5).

### 3.2 General Plan Design and Principles

- A. Energy Efficiency and Conservation Procurement Plans (EE Plans)<sup>10</sup> 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.
- B. Innovation. EE Plans shall address new and emerging issues as they relate to Least-Cost Procurement as appropriate, including how they may meet State policy objectives and provide system, customer, environmental, and societal benefits.
- C. Comprehensiveness. The distribution company shall design EE Plans to ensure that all customers have an opportunity to benefit and realize both near-term and long-lived savings opportunities, and to deliver system-wide and location-specific savings. The programs should be designed and implemented in a coordinated fashion by the distribution company in active and ongoing consultation with the Council.
- D. Equity. The portfolio of programs proposed by the distribution company shall be designed to ensure that all customers have equitable opportunities to participate in the offerings of EE Plans and a fair allocation of costs and benefits.
- E. Build on prior plans. The distribution company shall describe in an EE Plan the recent energy efficiency programs offered and highlight how the EE Plan supplements and expands 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.
- F. Build on prior programs. Distribution company 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.

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<sup>10</sup> Energy Efficiency and Conservation Procurement Plans refers to ~~both the~~ Three-Year ~~and Annual~~ Energy Efficiency and Conservation Procurement Plans, as applicable.

- G. Plan based on potential assessments. At a minimum, the distribution company shall use any Targets and other Report recommendations approved by the PUC pursuant to Chapter 2 as a resource 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. The distribution company may also use other assessments or Report recommendations, provided that such assessments or Report recommendations were not previously and specifically rejected by the PUC.
- H. Unlocks capital and effectively uses funding sources. EE 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.
- 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.
- 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 requirements of the Act on Climate.
- K. Energy Efficiency investments shall be made on behalf of all customers. This will ensure consistency with existing program structure under which all customers pay for, and benefit from, Rhode Island's efficiency programs.
- L. 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 distribution company shall include wherever possible and practical partnerships with existing educational and job training entities.
- M. 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 shall design EE Plans to capture all resources that are cost-effective and lower cost than supply and ensure equitable access to those resources across sectors and customer classes. The distribution company shall consult with the Council to address ongoing issues of parity.

~~N.~~ Cost-effectiveness. The distribution company shall propose a portfolio of programs that is cost-effective. Any program with a quantified benefit-cost ratio greater ~~than~~ ~~+than~~ 1.0 (i.e., where quantified benefits are greater than quantified costs), should be considered cost-effective. Consistent with the PUC's guidance issued in Docket No. 4600A, qualitative benefits and costs may be considered in determining cost-effectiveness. The portfolio must be cost-effective and programs must be cost-effective.

- 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 be subject to cost-effectiveness considerations consistent with the PUC's

guidance on pilots provided in the Guidance Document issued in Docket No. 4600A. 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 costs shall be included in the assessment of portfolio-level cost-effectiveness.

### 3.3 Three-Year Energy Efficiency and Conservation Procurement Plan

#### A. Purpose

- i. The Three-Year Energy Efficiency and Conservation Procurement Plan (Three-Year EE Plan) will be filed pursuant to R.I. Gen. Laws §§ 39-1-27.7(c)(4).
- ii. The Three-Year EE Plan will propose overall ~~and initial~~ Energy Efficiency and Conservation Procurement budgets, savings goals, and program focus and strategies for the three years of implementation beginning with January 1 of the following year. ~~These initial budgets and goals shall be illustrative and provisional and shall guide Annual Energy Efficiency and Conservation Procurement Plans (Annual EE Plans) over the three-year period.~~<sup>††</sup>
- iii. The Three-Year EE Plan will identify the strategies and an approach to planning and implementation of programs that will secure all cost-effective energy efficiency and conservation resources that are consistent with the Standards provided herein.
- iv. The structure of a performance incentive plan will ~~only~~ be proposed in the Three-Year EE Plan.
- v. EE Plans shall identify the energy cost savings and bill impacts that Rhode Island ratepayers will realize through its implementation.

#### B. Content

~~†† As the Three-Year Plan is illustrative and provisional, variances between Annual Energy Efficiency Plans and Three-Year Plans due to changes in factors such as, but not limited to, sales forecasts, funding sources, avoided costs, and evaluation results may be acceptable, and are subject to PUC review of the distribution company's explanation for those variances.~~

- 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 are likely proposed to be delivered by the distribution company's EE programs. For purpose of this analysis, total energy savings should be presented in two different ways: the cumulative annual energy savings to be delivered during the three years, and the cumulative lifetime energy savings to be delivered during the three years. At a minimum, this analysis should include:
    - (1) An estimate of the total energy likely to be saved and emissions likely to be avoided 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 avoided emissions that are likely proposed 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 avoided emissions that are 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 and avoided emissions that will not be delivered by the distribution company's EE programs or other state and local programs.
  - d. Initial funding plan, ~~initial~~ budget, and ~~initial~~ goals.
    - (1) The distribution company will develop ~~an initial~~ funding plan using, as necessary, the following sources of funding to meet the budget requirement of the Three-Year EE Plan and fulfill the statutory mandate of Least-Cost Procurement. The distribution company shall utilize, as necessary and available, the following sources of funding for the efficiency program investments:
      - (i) the existing System Benefits Charge (SBC);
      - (ii) revenues resulting from the participation of energy efficiency resources in ISO-New England's forward capacity market (FCM);
      - (iii) proceeds from the auction of Regional Greenhouse Gas Initiative (RGGI) allowances pursuant to R.I. Gen. Laws § 23-82-6;

~~(iv)~~—funds from any state; federal; or international climate or ~~cap~~

~~(v)(iv)~~ ~~and cap and~~ trade legislation or regulation, including, but not limited to, revenue or allowances allocated to expand energy efficiency programs;

~~(vi)(v)~~ a fully reconciling funding mechanism, pursuant to R.I. Gen. Laws § 39-1-27.7, which is a funding mechanism to be relied upon after the other sources as needed to fully fund cost-effective electric and gas energy efficiency programs to ensure the legislative mandate to procure all cost effective efficiency that is lower cost than supply is met; and

~~(vii)(vi)~~ other sources as may be identified by the Council, the Office of Energy Resources (OER), and the distribution company.

- (2) The distribution company shall include ~~an initial~~ a budget for the Three-Year EE Plan, covering the three-year period beginning the following January 1, that identifies the projected costs, benefits, and initial energy saving goals of the portfolio for each year. The budget shall identify, at the portfolio level, the projected cost of electric efficiency resources in cents/lifetime kilowatt- hours (kWh) and the cost of gas efficiency resources in cents/lifetime million British thermal units (MMBtu). ~~The initial budget and initial energy saving goals may be updated, as necessary and with reason, in the distribution company's Annual~~

~~e—~~

~~(1) — Energy Efficiency Plan.~~

~~ii. Performance Incentive Plan Structure~~

~~a. The distribution company may propose an incentive structure specific to the energy efficiency and conservation strategies in the EE Three-Year Plan and consistent with these Standards.~~

~~ba. The following aspects related to the design and setting of a shareholder incentive for Energy Efficiency and Conservation Procurement may be determined in the Three-Year EE Plan:~~

~~(1) the shared savings percentage shareholders are eligible to earn;~~

~~(2)(1) the costs and benefits that count toward calculating shared savings;~~

~~(3)(1) the nature of achievement of goals (e.g., annual versus cumulative);~~

~~(4)(1) if applicable, minimum and maximum savings thresholds in the form of percentages (e.g., 75% of the cumulative three-year goals); and~~

~~(5)(1) if applicable, determination or definition of exogenous events that must be excluded from the final determination of the shareholder incentive.~~

~~c. Additional factors related to the shareholder incentive not listed in paragraph b above may be determined in the Three Year or Annual EE Plans, if necessary.<sup>12,12</sup>~~

### ~~iii. Reporting Requirements~~

~~a. Following the conclusion of an Annual Plan, the~~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 program-level annual net energy savings likely to be delivered during the program year and the program-level budgets required to deliver those savings, developed for the Annual Plan pursuant to Section 3.4.a.ii of these Standards; to actual program-level energy savings and budgets during the program year;~~

~~(2) If the distribution company's projections for total program-level annual net energy savings and budgets varied from actual program-level savings and budgets by more than 5%, 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 program-level annual net energy savings and budgets varied from actual program-level savings and budgets by more than 5%, 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;~~

~~(4) Following the conclusion of an Annual Plan, the distribution company shall file a year-end benefit cost model that compares planned benefits and costs to actual benefits and costs.~~

~~b. Following the conclusion of a Three Year EE Plan, the distribution company shall compare actual performance to planned performance for the term, 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.~~

<sup>12</sup>For example, specific and firm goals and budgets may be proposed and set if necessitated by the structure of the incentive plan.

~~iv. Multi-year strategies~~

- ~~a. The distribution company will identify investment strategies for which implementation and budget requests (or revenue collection) are expected to span multiple years.~~
- ~~b. In addition to the initial budgets and goals required in Section 3.3.B.i.c.2, the distribution company will separately provide initial budgets and goals for multi-year strategies and may provide a separate performance incentive plan for these multi-year strategies that is consistent with the requirements of Section 3.3.B.ii.~~

~~vi. Testimony~~

~~a. The distribution company will profile 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)(1) Prudence, specifically those elements of prudence described in Section 1.3.E.i.c. Given the overlap of Section 1.3.E..c and the issues of parity described in Section 3.2.M, testimony on prudence should also address issues of parity;~~

~~(3)(1) Reliability;~~

~~(4)(1) Environmental Responsibility; and~~

~~(5)(1) 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).~~

~~ba. Profiled testimony will also state what approvals for Energy Efficiency and Conservation Procurement the distribution company is requesting from the PUC.~~

~~vi. Combined filing with the first year of the Annual EE Plans~~

- ~~a. The distribution company may file all aspects of the Annual EE Plan required in Section 3.4 and seek approval of these additional aspects of the Annual EE Plan.~~
- ~~b. The distribution company will make clear to the Council its decision to file a combined EE Plan on or before July 1, 2020 and triennially thereafter.~~

~~C. PUC Orders~~

~~i. The PUC will approve initial three-year savings goals and strategies for Energy Efficiency and Conservation Procurement portfolios that meet the Standards herein.~~

~~ii. The PUC will approve initial three-year budgets for Energy Efficiency and Conservation Procurement portfolios that meet the Standards herein.~~

~~iii. The PUC will approve a three-year performance incentive plan for Energy~~

~~Efficiency and Conservation Procurement that meet the Standards herein.~~~~iv. If the first year of Annual EE Plans is filed in combination with the Three-Year EE Plan:~~~~a. if applicable, the PUC may approve a final budget for the first year of the Annual EE Plans;~~~~b. PUC may approve annual goals, funding plans, and rates for Energy Efficiency and Conservation Procurement programs and portfolios that meet the Standards herein;~~~~ca. The PUC may deny approval of measures that do not meet the standards~~~~herein and that are not critically linked to the cost-effectiveness of other investments that are otherwise consistent with the Standards herein.~~~~vi. The PUC will order adoption of any other recommendations supported by the Plan and consistent with Least-Cost Procurement, and all applicable statutes, rules, and policies.~~~~D.A. Timing~~~~i. Three-Year EE Plans that include a combined filing of the first year of Annual EE Plans pursuant to Section 3.3.B.v shall be filed on or before October 1, 2020 and triennially thereafter.~~~~ii. Three-Year EE Plans that do not include a combined filing of the first year of Annual EE Plans pursuant to Section 3.3.B.v shall be filed on or before September 1, 2020 and on or before October 1 triennially thereafter.~~~~3.4 Annual Energy Efficiency and Conservation Procurement Plans~~~~A. Purpose~~~~i. Annual EE Plans will be filed pursuant to R.I. Gen. Laws §§ 39-1-27.7(c)(5).~~~~ii. Annual EE Plans will propose an updated and detailed budget for meeting the savings target set in Three-Year EE Plans, covering the annual period beginning the following January 1, that identifies the projected costs; benefits; and energy saving goals of the portfolio. The distribution company shall update the analysis described in Section 3.3.B.i.c. of these Standards for the annual program year using the best available information and shall adjust its proposed annual savings goals and budgets to be consistent with the update. Where adjustments are made, the distribution company shall identify and justify the specific adjustments.~~~~iii. Annual EE Plans will propose detailed budgets that include the projected costs, benefits, energy savings, and emissions reductions goals of each program.~~~~iv. Annual EE Plans will identify any deviations between initial portfolio budgets or goals set in the Three-Year EE Plans and Annual EE Plan budgets or goals that are greater than five percent (positive or negative) and will provide reasons for such deviations.~~

- ~~v. Annual EE Plans will include proposals for system benefit charge rate changes based on the updated funding plan filed pursuant to Section 3.4.~~
- ~~vii. Annual EE Plans shall identify the energy cost savings and bill impacts that Rhode Island ratepayers will realize through its implementation.~~
- ~~vii. Annual EE Plans shall also provide for adjustment, as necessary, to the remaining years of the Three-Year EE Plan based on experience, ramp-up, and assessment of the resources available.~~

#### ~~B. Content~~

- ~~i. 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 3.2.~~
- ~~ii. Any program implementation or budget commitments approved in a Three-Year Plan will be summarized in the relevant Annual Plan(s) for clarity and reference.~~
- ~~iii. The Annual EE Plan shall contain sections that describe consistency with the requirements of Section 1.3.~~
- ~~iv. 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 program and portfolio level, the projected total resource cost of electric efficiency resources in cents/lifetime kWh or the cost of gas efficiency resources in cents/lifetime MMBtu.~~
- ~~ac. The distribution company shall include in the Annual in the Three-Year 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.~~
  - ~~(1) Number of measures to be installed,~~
  - ~~(2) Measure-level incentive,~~
  - ~~(3) Total incentive budget,~~
  - ~~(4) Net annual energy savings to be delivered by the planned number of installations,~~
  - ~~(5) Net lifetime energy savings to be delivered by the planned number of installations,~~
  - ~~(6) Summer net demand savings to be delivered by the planned number of measures installed,~~
  - ~~(7) Winter net demand savings to be delivered by the planned number of measures installed,~~

- (8) Annual greenhouse gas emissions reductions (expressed in CO<sub>2</sub> equivalents) from the planned number of installations,
- (9) Lifetime greenhouse gas emissions reductions (expressed in CO<sub>2</sub> equivalents) from the planned number of installations;

~~b.f.~~ Annual Three-Year EE Plans 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.

~~v.~~ ~~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.~~

~~vi.~~ ~~Annual EE Plans will provide a final funding plan and any associated changes to the system benefit charge based on an updated detailed budget filed pursuant to paragraph vi above and an update of the funding plan filed pursuant to Section 3.3.B.i.e.1.~~

~~ag.~~ Program Descriptions

- (1) The distribution company shall, as part of its Annual Three-Year 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.
- (2) In addition to these basic requirements, the Annual Three-Year Plan shall address, where appropriate, the following elements:
  - (i) comprehensiveness of opportunities addressed at customer facilities;
  - (ii) integration of electric and natural gas energy efficiency implementation 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;
  - (iii) integration of energy efficiency programs with renewables and other System Reliability Procurement Plan elements and other applicable energy programs;
  - (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;

- (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; and

- (vi) integration with non-wires and non-pipe alternatives.

bh. Evaluation, Measurement, and Verification (EM&V) Plan Monitoring

- (1) The distribution company shall include an EM&V Plan in its ~~Annual~~ Three-Year EE Plan.

- (2) The EM&V Plan shall address at least the following:

- (i) savings verification, including, where appropriate, analysis of customer usage; such savings verification should also facilitate participation in ISO-NE's forward capacity market;

- (ii) issues of ongoing program design and effectiveness;

- (iii) coordination with program pilots, demonstrations, or assessments;

- (iv) any other issues, for example, efforts related to market assessment and methodologies to claim savings from market effects, among others;

- (v) a discussion of regional and other cooperative EM&V efforts the distribution company is participating in, or plans to participate in; and

- (vi) longer-term studies, as appropriate, to assess programs over time.

- (3) The distribution company shall include in its EM&V Plan any changes it proposes to the frequency and level of detail of distribution company program plan filing and subsequent reporting of results.

ii. Performance Incentive Plan Structure

- a. The distribution company may propose an incentive structure specific to the energy efficiency and conservation strategies in the EE Three-Year Plan and consistent with these Standards.

- b. The following aspects related to the design and setting of a shareholder incentive for Energy Efficiency and Conservation Procurement may be determined in the Three-Year EE Plan:

- (1) the shared-savings percentage shareholders are eligible to earn;

- (2) the costs and benefits that count toward calculating shared

savings;

(3) the nature of achievement of goals (e.g., annual versus cumulative);

(4) if applicable, minimum and maximum savings thresholds in the form of percentages (e.g., 75% of the cumulative three-year goals); and

(5) if applicable, determination or definition of exogenous events that must be excluded from the final determination of the shareholder incentive.

c. Additional factors related to the shareholder incentive not listed in paragraph b above may be determined in the Three-Year EE Plans, if necessary.<sup>13</sup>

### iii. Reporting Requirements

#### vii. Reporting Requirements

a. Following the conclusion of an Annual Plan each of the first two calendar years within the three-year term, 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 non-binding projections for total program-level annual net energy savings likely to be delivered during the program year and the program-level budgets required to deliver projections for delivering those savings, developed for the Annual Three-Year Plan pursuant to Section 3.4.a.ii3 of these Standards, to actual program-level energy savings and budgets during the program year;

(2) If the distribution company's projections for total program sector-level annual net energy savings and budgets varied from actual sector-level savings and budgets by more than 5%, 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 sector-level annual net energy savings and budgets varied from actual sector-level savings and budgets by more than 5%, an explanation of any adjustments the company plans to make in the remaining years of the Three-Year Plan in response to such variance;

(4) Following the conclusion of the first and second year of a Three-Year Plan, the distribution company shall file a year-end benefit cost model that compares planned benefits and costs to actual benefits and costs.

<sup>13</sup> For example, specific and firm goals and budgets may be proposed and set if necessitated by the structure if the incentive plan.

- (5) The PIM payout amount for the prior program year; this payout will be trued up at the end of the three-year period.
- b. Following the conclusion of a Three-Year EE Plan, the distribution company shall file a report with the PUC by June 1 of the following year that includes the following:
- (1) Comparison of the distribution company's three-year projections for total program-level three-year net energy savings to be delivered during the program year and the program-level budgets projections for delivering those savings, developed for the Three-Year Plan pursuant to Section 3.3 of these Standards, to actual program-level energy savings and budgets during the three-year period;
  - (2) If the distribution company's projections for total program-level net energy savings and budgets varied from actual program-level savings and budgets by more than 5%, 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 program-level ~~annual~~ net energy savings and budgets varied from actual program-level savings and budgets by more than 5%, a description of the variance and, where applicable, an explanation of any adjustments the company made to its own Annual Plan programming (savings goals, incentive levels, or budgets) in
  - ~~(4)~~(3) response to the cause of such variance;
  - ~~(5)~~(4) Following the ~~conclusion~~final year of an ~~Annual~~ Three-Year Plan, the distribution company shall file a ~~year~~term-end benefit cost model that compares planned benefits and costs to actual benefits and costs over the three-year term.
  - ~~(6)~~(5) Following the ~~conclusion of a Three Year EE Plan, the distribution company shall compare~~A variance analysis of actual performance to planned performance for ~~each of the three component Annual Plans~~the term, 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. 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.
  - (6) A reconciliation of the true three-year PIM payout with the actual PIM payouts from the interim years.

c. On Dec 1<sup>st</sup> of year 1 and year 2 within a three-year plan term, the distribution company shall file a surcharge reconciliation that updates the gas and electric system benefit charge rates for the coming program year based on actual and remaining projected program spending for the current program year and updated forecasted sales and sources of other funding.<sup>14</sup>

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, specifically those elements of prudence described in Section 1.3.E.i.e. Given the overlap of Section 1.3.E..e and the issues of parity described in Section 3.2.M, testimony on prudence should also address issues of parity;

(3) Reliability;

(4) Environmental Responsibility; and

(5) 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).

b. Prefiled testimony will also state what approvals for Energy Efficiency and Conservation Procurement the distribution company is requesting from the PUC.

~~b.<sup>+5</sup>The distribution company, in consultation with the Council, may propose additional content to be reported and a reporting format that is designed to communicate clearly and effectively the benefits of the efforts planned and implemented.~~

~~viii. Multi year strategies~~

~~a. The distribution company will identify investment strategies for which implementation and budget requests (or revenue collection) are expected to span multiple years.~~

~~b. In addition to the budgets and targets required in Section 3.2.A.viii.b, the distribution company may separately provide budgets and targets for multi-year strategies.~~

~~ix. Testimony~~

~~a. The distribution company will prefile testimony on the following:~~

<sup>14</sup> The goal would be to have PUC-approved new surcharges in place by January 1<sup>st</sup> to be effective through December 31<sup>st</sup> of the following year

<sup>45</sup>

- ~~(1) — Cost Effectiveness of measures, programs, and portfolios;~~
- ~~(2) — Prudence, specifically those elements of prudence described in Section 1.3.E.i.e. Given the overlap of Section 1.3.E.e and the issues of parity described in Section 3.2.M, testimony on prudence should also address issues of parity;~~
- ~~(3) — Reliability;~~
- ~~(4) — Environmental Responsibility; and~~
- ~~(5) — Cost of Additional Supply compared to measures, programs, and portfolios~~

~~b. — Prefiled testimony will also state what approvals for Energy Efficiency and Conservation Procurement the distribution company is requesting from the PUC.~~

#### C. PUC Orders

- ~~i. Pursuant to R.I. Gen. Laws §§ 39-1-27.7(c)(4), the PUC The PUC will approve annual three-year savings goals and a fully reconciling funding rate strategies for Energy Efficiency and Conservation Procurement programs and portfolios that meet the Standards herein.~~
- ~~ii. The PUC will approve three-year budgets for Energy Efficiency and Conservation Procurement portfolios that meet the Standards herein.~~
- ~~iii. The PUC will approve a three-year performance incentive plan for Energy Efficiency and Conservation Procurement that meet the Standards herein.~~
  - ~~a. The PUC may deny approval of programs or measures that do not meet the standards herein and that are not critically linked to the cost-effectiveness of other investments that are otherwise consistent with the Standards herein.~~
- ~~iv. The PUC will order adoption of any other recommendations supported by the Plan and consistent with Least-Cost Procurement, and all applicable statutes, rules, and policies.~~
- ~~v. The PUC will approve updated system benefit charge rates within 30 days of a surcharge filing that would be effective from January 1<sup>st</sup> through December 31<sup>st</sup> of the following year.~~

#### D. Timing

- ~~ii. — The PUC may deny approval of measures that do not meet the standards herein and that are not critically linked to the cost-effectiveness of other investments that are otherwise consistent with these Standards.~~
- ~~iii. — The PUC will order adoption of any other proposals supported by the Plan and consistent with Least-Cost Procurement, and all applicable statutes, rules, and policies.~~

#### ~~D. Timing~~

- ~~i. All Annual Three-Year EE Plans shall be filed on or before October 1 of the year preceding the implementation prior to a three-year planning year~~

and triennially thereafter.

### 3.4 Mid-term Modifications

#### A. Description

- i. Mid-term modifications enable the distribution company to adjust budget, benefits, and programs during a mid-term year. Mid-term modifications are only required if the programs meet certain triggers below, and they are separate filings from the annual reconciliation of the energy efficiency charges.

#### B. Triggers

- i. Triggers for a level 1 mid-term modification, which requires Council review, would include the following program changes:
  - a. The termination of an existing Energy Efficiency Program
  - b. A modification to an Energy Efficiency Program that results in a decrease of 20% or more in lifetime benefits over the three-year term
- ii. Triggers for a level 2 mid-term modification, which requires Council review and PUC approval, include the following changes:
  - a. Any modification to the three-year plan that results in an increase to the sectoral budget for a fuel of 10% or more
  - b. The addition of an Energy Efficiency program

#### C. Contents

- i. Mid-term modifications should include:
  - a. A description of the change requested
  - b. The reason for the change
  - c. Quantitative dimensions of the change (e.g. savings, budgets, goals, PIM, as applicable).
  - d. Impact on other programs, if any
  - e. For new programs, any supporting documents with detailed descriptions

#### D. Process

- i. Before proceeding with the termination or addition of a program, the distribution company is required to submit a notice to the PUC, Division of Public Utilities and Carriers, and to the Council 30 days before taking action. If the Council opposes the change, they would have 30 days to submit comments to the PUC. The program administrator would have 30 days to make any changes or provide more information supporting the change.

#### E. Timeline

- i. Mid-term modifications can be filed at any time throughout the three-year term until one month before the next three-year plan is filed. The distribution company is required to file and get approval for a mid-term modification with any supporting documents related to the indicated change before the changes take place.

## CHAPTER 4 – Three-Year System Reliability Procurement Plan

### 4.1 Intent

- A. This Chapter provides standards and guidelines for System Reliability Procurement Plans filed with the PUC pursuant to R.I. Gen. Laws § 39-1-27.7(c)(4).

### 4.2 Purpose

- A. The Three-Year System Reliability Procurement Plan (Three-Year SRP Plan) shall describe general planning principles and potential areas of focus for System Reliability Procurement for the three years of implementation, beginning with January 1 of the following year.
- B. The Three-Year SRP Plan shall provide screening criteria for System Reliability Procurement opportunities that may supplant Utility Reliability Procurement and a proposal for how such screening criteria will be included in system planning.
- C. The Three-Year SRP Plan will provide strategies and technologies the distribution company intends to employ or consider employing over the next three years pursuant to R.I. Gen. Laws § 39-1-27.7 and these standards.
- D. The Three-Year SRP Plan will explain in summary how identical, similar, and related investments across programs contributed incrementally to the state energy policies and goals for the natural gas and electric systems.
- E. The Three-Year SRP Plan will describe the procurement process for market-sourced System Reliability Procurement solutions.
- F. The Three-Year SRP Plan will describe the evaluation process for System Reliability Procurement.

### 4.3 General Plan Design and Principles

- A. In order to meet Rhode Island’s gas and electric energy system needs and policy goals in a manner consistent with R.I. Gen. Laws §39-1-27.7, Three-Year SRP Plans should include both a broad consideration of needs and goals and broad consideration of solutions to these needs and goals in order to encourage optimal investment by the distribution company.
- B. The Three-Year SRP Plan should be integrated with the distribution company’s distribution planning process and be designed, where possible, to complement the objectives of Rhode Island’s energy policies and programs as described in Section 3.2.A.
- C. The Three-Year SRP Plan should be designed so that potential non-utility solution providers can understand how and when the distribution company makes decisions to implement System Reliability Procurement in lieu of Utility Reliability Procurement.

### 4.4 Content

- A. The Three-Year Plan shall contain sections that describe how it meets the

purposes described in Section 4.2, including but not limited to:

- i. proposed screening criteria for System Reliability Procurement, a description of the type(s) of system need(s) that may be addressed with System Reliability Procurement (e.g., system capacity), and a proposal for how such screening criteria will be included in system planning.
  - ii. for each specific system need that meets the screening criteria in 4.4.A.i, the distribution company shall provide:
    - a. a description of the specific system need and how it was identified in the system planning process, and when the distribution company expects to need to implement the best alternative Utility Reliability Procurement investment;
    - b. a description of how the specific system need can be addressed or mitigated through System Reliability Procurement;
    - c. description of which specific System Reliability Procurement investment(s) will be pursued each year until the best alternative Utility Procurement investment needs to be implemented;
    - d. initial identification of, or proposal of, cost recovery mechanisms for the System Reliability Procurement investment identified pursuant to paragraph c above and, where possible, specific references to dockets or recurring program reviews,<sup>16 13</sup> including, when applicable, filings to be made pursuant to Chapter 5 of these Standards;
    - e. references to where other public information about the specific system need is available;
  - iii. proposed strategies that can help the distribution company pursue System Reliability Procurement, such as activities that animate the market or reduce market barriers;
  - iv. proposed general procurement processes used by the company to procure market-sourced System Reliability Procurement and Utility Reliability Procurement;
  - v. proposed general evaluation process for choosing among System Reliability Procurement options or market-based solutions; and
- B. The Three-Year SRP Plan will include an annual reporting plan on the implementation of the Three-Year SRP Plan and investments made under System Reliability Procurement during the Three-Year SRP Plan period.
- C. The Three-Year SRP Plan will include a discussion of how the Plan is consistent with the requirements of Section 1.3.
- D. Performance Incentive Plan Structure
- i. The distribution company may propose incentive structures for System Reliability Procurement for effect during the Three-Year SRP Plan.

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<sup>16 13</sup> If a cost-recovery proposal is in the future, the docket will not be known, but the program, such as “Annual EE Plan for 2023” may be known.

- E. Testimony
  - i. To the extent applicable, the distribution company will prefile testimony on the following:
    - a. Cost-Effectiveness of measures, programs, and portfolios;
    - b. Prudence, specifically those elements of prudence described in Section 1.3.E.i.e. Given the overlap of Section 1.3.E.e and the issues of parity described in Section 3.2.M, testimony on prudence should also address issues of parity;
    - c. Reliability;
    - d. Environmental Responsibility; and
    - e. Cost(s) of the best alternative Utility Reliability Procurement investment(s) compared to the System Reliability Procurement investment(s) measures, programs, and portfolios.
  - ii. Prefiled testimony will also state what approvals for the Three-Year SRP Plan the distribution company is requesting from the PUC.

#### 4.5 PUC Orders

- A. The PUC will approve screening requirements and implementation plans that meet the Standards herein.
- B. The PUC will approve annual reporting requirements that meet the standards herein.
- C. The PUC may approve a three-year performance incentive plan for System Reliability Procurement.
- D. The PUC will order adoption of any other proposals supported by the Plan and consistent with Least-Cost Procurement, and all applicable statutes, rules, and policies.

#### 4.6 Timing

- A. The distribution company will file the Three-Year SRP Plan on or before November 21, 2020 and triennially thereafter.

## CHAPTER 5 – System Reliability Procurement Investment Proposal

### 5.1 Intent

- A. This Chapter provides standards and guidelines for System Reliability Procurement investment proposals (SRP Proposals) that are consistent with Three-Year SRP Plans filed pursuant to Chapter 4.
- B. This Chapter does not require that all System Reliability Procurement investments identified in a Three-Year SRP Plan must be funded through an SRP Proposal.<sup>17</sup>

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<sup>17</sup> For example, in some instances, the investment may appropriately be funded through an Annual EE Plan.

## 5.2 Purpose

- A. SRP Proposals will present specific implementation of a System Reliability Procurement investment.
- B. SRP Proposals will present specific costs of investments, specific funding plans, and, if applicable, proposals for cost recovery.
- C. SRP Proposals will identify any established incentives that the specific investment is eligible for.

## 5.3 Content

- A. Testimony
  - i. The distribution company will prefile testimony on the following:
    - a. how the Plan is consistent with the requirements of Section 1.3;
    - b. updated and specific information required in Sections 4.4.A.ii.a through d, 4.4.A.iv, and 4.4.A.v relevant to the investment(s);
    - c. costs, a funding plan, and proposed cost recovery; and
    - d. the specific approvals the distribution company is requesting from the PUC.

## 5.4 Orders

- A. The PUC will approve SRP Proposals that meet these Standards.
- B. The PUC may deny approval of investment proposals that do not meet these Standards and that are not critically lined to the cost-effectiveness of other investments that are otherwise consistent with these Standards.
- C. The PUC will order adoption of any other proposals supported by the SRP Proposal and consistent with Least-Cost Procurement, and all applicable statutes, rules, and policies.

## 5.5 Timing

- A. The PUC does not limit the timing of SRP Proposals, but prefers that the proposals be filed alongside, but separately from, annual Infrastructure, Safety, and Reliability Plans.

# CHAPTER 6 – Role of the Council in Plan Development and Approval

## 6.1 Intent

- A. This Chapter provides guidelines for the Council’s role in development and approval of Least-Cost Procurement Plans, System Reliability Plans, and Demand Side Management Investment Proposals.

## 6.2 Guidelines for Energy Efficiency and Conservation Plans

- A. The Council shall take a leadership role in ensuring that Rhode Island ratepayers receive excellent value from EE Plans being implemented on their behalf. The Council shall do this by collaborating closely with the distribution company on design and implementation of the EM&V efforts presented by the

distribution company under the terms of Section 3.43.B. ~~ixi~~ and, if necessary, provide recommendations for modifications that will strengthen the assessment of distribution company programs.

- B. 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 EE Plans. The distribution company shall seek to receive the endorsement of EE Plans by the Council prior to submission to the PUC.
- C. The Council shall vote whether to endorse the Three-Year EE Plan ~~by August 15, 2020, and triennially thereafter, unless the distribution company has elected to include the first year of an Annual EE Plan in the Three-Year EE Plan, in which case the Council shall vote by September 15. triennially by September 30.~~ If the Council does not endorse the Three-Year EE Plan, then the Council shall document the reasons and submit comments on the Three-Year EE Plan to the PUC for their consideration in final review of the Three-Year EE Plan.
- D. The distribution company shall, in consultation with the Council, propose a process for Council input and review of its EE Plans. This process is intended to build on the mutual expertise and interests of the Council and the distribution company, as well as meet the monitoring responsibilities of the Council.
- E. ~~The~~ If a mid-term modification trigger is expected to occur as specified in Section 3.4(B), the distribution company shall submit a draft ~~Annual EE Plan~~ mid-term modification 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 EE Plan prior to the prescribed filing date. If the Council does not endorse the Annual EE Plan, the Council shall document its reasons and submit comments on the Annual EE Plan to the PUC for its consideration in final review of the Annual EE Plan.~~
- F. The Council shall prepare memos on its assessment of the cost effectiveness of the Three-Year EE Plans, pursuant to R.I. Gen. Laws §39-1-27.7(c)(5), and submit them to the PUC no later than three weeks following the filing of the respective EE Plans with the PUC, or in accordance with the procedural schedule set in the applicable docket.
- G. The Council shall prepare an annual budget proposal to be included in the distribution company's ~~Annual Plan~~ Three-Year filing, consistent with the ~~FERMCCouncil~~ budget allocation requirements set forth in RI PUC Order No. 24440.
  - i. The Council will:
    - a. Prepare an anticipated annual ~~budget~~ budgets prior to the distribution company's ~~Annual Plan~~ Three-Year filing with the PUC, and provide that annual budget to the distribution company.
    - b. Provide testimony, reasonable documentation, and

justification for the budget level to support a Commission allocation of the requested amount. The budget must reflect reasonable costs, be reasonably needed to carry out its duties, and be reasonably related to the expense types identified in the statute.

- c. In December, but no later than December 15, estimate any remaining expenses not yet paid but expected to be invoiced for the current program year, and share such estimate with the distribution company.
- ii. The distribution company will:
  - a. Include the Council's anticipated annual budget ~~budgets~~ in the Annual—Plan Three-Year filing as the proposed EERMCCouncil allocation.
  - b. File with the PUC copies of all invoices paid to cover EERMCCouncil's expenses on a quarterly basis by the 15th of April, July, October, and December. The December filing shall include an estimate of expenses not yet paid, but expected to be invoiced, as informed by representatives of EERMCCouncil. In addition to the PUC, the distribution company shall send copies of these reports to each of the EERMCCouncil members individually.
  - c. File with the PUC a full reconciliation of the prior calendar year's payments by March 15. In addition to the PUC, the distribution company shall send copies of this report to each of the EERMCCouncil members individually.

H. The Council shall be expected to manage its annual expenses within its approved budget allocation. If the Council forecasts actual annual expenses to exceed the approved budget allocation, it may seek PUC approval for an additional allocation of funds to cover excess expenses through a supplemental filing with the PUC. That supplemental filing must explain and justify the need for the excess expenses.

### 6.3 Guidelines for System Reliability Procurement Plans and Proposals

- A. The Council shall review Three-Year System Reliability Procurement Plans. The Council may review SRP Proposals.
- B. The distribution company shall seek ongoing input from, and collaboration with, the Council on development of the Three-Year SRP Plan and on development of annual reports related to the Three-Year SRP Plan. The distribution company shall seek to receive the endorsement of the Three-Year SRP Plan by the Council prior to submission to the PUC
- C. The Council shall vote whether to endorse the Three-Year SRP Plan by October 21, 2020 and triennially thereafter. If the Council does not endorse

the Three-Year SRP Plan, then the Council shall document the reasons and submit comments on the Three-Year SRP Plan to the PUC for their consideration in final review of the Three-Year SRP Plan.

- D. The distribution company shall, in consultation with the Council, propose a process for Council input and review of its Three-Year SRP Plan and SRP Proposals. This process is intended to build on the mutual expertise and interests of the Council and the distribution company, as well as meet the monitoring responsibilities of the Council.
- E. The distribution company shall submit draft Three-Year Plans to the Council and the Division of Public Utilities and Carriers for their review and comment at least one week before the Council's scheduled vote. Draft annual reports related to the Three-Year Plan shall be submitted to the Council and Division of Public Utilities and Carriers two weeks before filing the report with the PUC.
- F. The Council shall prepare memos on its assessment of the cost effectiveness of the Three-Year SRP Plan, pursuant to R.I. Gen. Laws §39-1-27.7(c)(5), and submit them to the PUC no later than three weeks following the filing of the respective Three-Year SRP Plans with the PUC, or in accordance with the procedural schedule set in the applicable docket.
- G. The distribution company shall submit any draft SRP Proposal to the Council and the Division of Public Utilities and Carriers for their review six weeks prior to filing the SRP Proposal with the PUC. The Council may determine its endorsement or opposition, involvement or abstention, or any other level of action related to the filing on a case-by-case basis.

#### **6.4 Guidelines for Demand Side Management Investment Proposals**

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

- E. The distribution company shall submit draft DSM Proposals to the Council and the Division of Public Utilities and Carriers for their review and comment at least one week before the Council's scheduled vote. Draft reports related to DSM Proposals shall be submitted to the Council and Division of Public Utilities and Carriers two weeks before filing the report with the PUC.
- F. The Council shall prepare memos on its assessment of the cost effectiveness of DSM Proposals and submit them to the PUC no later than three weeks following the filing of the respective DSM Proposals with the PUC, or in accordance with the procedural schedule set in the applicable docket.
- G. The distribution company shall submit any draft DSM Proposals to the Council and the Division of Public Utilities and Carriers for their review six weeks prior to filing a DSM Proposal with the PUC. The Council may determine its endorsement or opposition, involvement or abstention, or any other level of action related to the filing on a case-by-case basis.

## CHAPTER 7 – Demand Side Management Investment Proposal

### 7.1 Intent

- A. This Chapter provides standards and guidelines for Demand Side Management investment or program proposals (DSM Proposals) that are consistent with the PUC's authority under R.I. Gen. Laws §39-2-1.2.

### 7.2 Purpose

- A. DSM Proposals will:
  - i. Manage existing demand for electric or gas supply in a manner consistent with the Least Cost Procurement Standards; or
  - ii. Manage growth in demand for electric or gas supply in such a manner that avoids the need for incremental system investment, thus lowering the average cost of electric or gas supply.

### 7.3 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 and electric and/or gas customers' bills 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.

- B. DSM Proposals will define a delivery period for the Proposal, establish implementation targets within the delivery period, and will enumerate strategies to attain the implementation targets.
- C. DSM Proposals will analyze the impacts of the proposed DSM activity on demand for electric or gas supply and the resulting impacts on average electric or gas supply costs;
- D. DSM Proposals will present specific costs of programs or investments, specific funding plans, and, if applicable, proposals for cost recovery. Proposals for cost recovery shall specifically address how costs will be recovered from gas vs. electric customers;
- E. DSM Proposals will identify and report on any existing funding streams or incentives available to customers for the same activities or offerings contained in the Proposal. DSM Proposals will explain how the proposed incentive offerings were adjusted to account for any existing funding streams or incentives.
- F. DSM Proposals will include an annual reporting plan on the implementation of the DSM Proposal over the stated delivery period.
- G. DSM Proposals shall be filed at the discretion of the distribution company or at the discretion of the Commission.

7.4 Orders

- A. The PUC may approve DSM Proposals that meet Chapter 7 of these Standards.
- B. The PUC may deny approval of DSM Proposals that do not meet Chapter 7 of these Standards and that are not critically linked to the cost-effectiveness of other investments that are otherwise consistent with these Standards.

7.5 Timing

- A. The distribution company shall file any DSM Proposals alongside, but separately from, annual EE Plans.

