STATE OF RHODE ISLAND
ENERGY EFFICIENCY & RESOURCE MANAGEMENT COUNCIL

MEETING MINUTES

Thursday, October 1, 2015
3:30 - 5:30 PM
Conference Room B, 2nd Floor
Department of Administration, One Capitol Hill, Providence, RI

Members Present:	Abigail Anthony, H. Robert Bacon, Joe Cirillo, Marion Gold, Jennifer Hutchinson, Michael McAteer, Shigeru Osada, Chris Powell, Betsy Stubblefield Loucks, Karen Verrengia
Members Absent:	Roberta Fagan, Joe Newsome, Diane Williamson
Consultants Present:	Mike Guerard, Scudder Parker
OER Staff Present:	Ryan Crowley, Chris Kearns, Danny Musher, Rachel Sholly
Others Present:	Leah Bamberger, Karen Bradbury, Kat Burnham, Lindsay Foley, Doug Gablinske, Rachel Henschel, Courtney Lane, Angela Li, Leslie Malone, Terry Martesian, Sam Milton, Celia O'Brien, Fred Paine, Matthew Ray, Ben Rivers, Tim Roughan, Brigid Ryan, Raquel Webster, Chon Wong, Belinda Wong, Muxi Yang

1. Call to Order

Chairman Chris Powell called the meeting to order at 3:34 PM.

2. Approval of August Meeting Minutes

Bob Bacon made a motion to approve the September meeting minutes. Joe Cirillo seconded and all approved.

3. Executive Director Report

Commissioner Marion Gold of the Office of Energy Resources (OER) reported she recently toured Toray Plastics in Quonset. She also mentioned her attendance of a sustainability working group meeting that she attended at Brown University. The event was a great way to bring large energy users. She said Chris Powell gave a presentation on the strategic energy management plan. Commissioner Gold suggested that the OER team and perhaps the Governor's Office could benefit from such a presentation. Commissioner Gold also met with Roberta Fagan to discuss way to improve service for clients that are reliant on heating oil.

4. Policy & Planning Issues

a) Update and Vote on Expert Finance Consultant

Mike Guerard asked the Council to refer to the memo provided on Monday. He recommended that the Council select a finance expert at this meeting. Mr. Guerard outlined the process used to determine which company should be selected. The initial RFP list of candidates was used as a starting point. Went back to initial RFP for candidates to develop a report. Based on list the team then determined if any would be suitable for the finance consultant. There were 6 candidates that were interviewed at 45 minutes. 4 candidates were then asked to submit additional documentation on the approach that would be used. Dunsky was identified as the best. The company had RI experience with landscape and stakeholders, strong financing expertise and clear qualifications, good experience in energy efficiency program strategy and implementation and demonstrated the ability to deliver a good work product in a timely manner. Scudder Parker added that it was a close decision that followed a very thorough process.

Jeremy Newberger, Danny Musher and two representatives of VEIC lead the recommendation process. Michael McAteer added that the expertise identified in the lead candidate will be helpful with the launch of the infrastructure bank.

Mr. Guerard added that the selected finance consultant would begin as soon as they are under contract and would continue through 2016 as needed or until funding runs out. A retainer and escrow gives them the ability to move as the Council moves forward.

Mr. Bacon made a motion to to select Dunsky to serve as an expert finance consultant to the EERMC and authorize the Consultant Team to draft a contract. The $70,000 authorized budget for these services should be transferred to the EERMC Legal Counsel's client fund account to fund activities upon contract execution through 2016. Karen Verrengia seconded. All approved.

b) Update on PUC Rate Design Proceeding Vote on Upcoming Activities

Scudder Parker provided an outline of how to approach the docket and also presented an outline of the kind of testimony he would propose to provide during the docket proceeding itself. He noted that there was a lengthy technical session which he and Marisa Desautel participated in. He said an informal group has discussed how to approach the docket. Commissioner Gold stated that it is appropriate for the EERMC to weigh in because of the significant ramifications from the rate-design and that OER hopes to work collaboratively with the utility and others to address concerns.

Shigeru Osada asked what the logic behind the motion to end the docket regarding the access fee is. Marisa said the argument is the PUC should not consider the issues brought forth because the PUC would be precluded from rendering a decision. Abigail Anthony said the outline is through and she would support the testimony being used by Scudder Parker and Marisa Desautel during the proceeding.

Jennifer Hutchinson offered observations on what was submitted. The rate design is revenue neutral. She said it intentionally has a narrow scope. It's the first incremental step toward the evolution of the electric industry. Anything beyond that scope would be more appropriately discussed on another day. She also noted that National Grid took into account the concerns parties have expressed.

Mr. Parker argued that the points made in his outline go to the fact that this is a rate design that is revenue neutral and they are not arguing that. He said he is concerned about negative impacts on efficiency measures and believes going to fixed charges is the wrong direction to go. Betsy Stubblefield Loucks stated that the structure does not appear to achieve the Council's goals of cost procurement and that she supports the testimony presented to the Council. Ms. Anthony added that the Council is in a position to offer that perspective.

Mr. Bacon made a motion to direct the Consultant Team and Legal Counsel to finalize testimony based on the outline and submit it to the PUC according to the deadline. Ms. Stubblefield Loucks seconded. All approved.

Ms. Desautel recommended that the council should either support or remain silent on other motions that have been filed with the PUC against the rate design. She said the Council should decide at the meeting whether or not to file a motion to support and that open meetings law does not prohibit votes not included on the agenda. Commissioner Gold announced that she was informed that Commissioner Curran has extended the procedure schedule.

Chairman Powell asked the council if there was a motion to intervene. No Council members made a motion to proceed with a decision.

c) Review and Vote on Final Drafts of the 2016 Energy Efficiency Program Plan (EEPP) and the 2016 System Reliability Plan (SRP)

Rachel Henschel and Courtney Lane made a presentation updating the Council on the Final Drafts of the 2016 Energy Efficiency Program Plan and the 2016 System Reliability Plan. Mr. McAteer noted that the plan has had substantial stakeholder engagement in the plan that has allowed National Grid to thoroughly go through it and make adjustments. 70% of 700 jobs in the energy efficiency sector were created in Rhode Island. Ms. Anthony asked how the 2016 Energy Efficiency Plan expands participation. Rachel H. said participation is increasing primarily in the residential sector and but is not growing as much as National Grid has hoped. She used the residential lighting program as an example of expansion. National Grid was cognizant of costs and tried to keep them as low as possible. Expansion is occurring in programs that can be expanded less expensively.

Mr. Osada asked if National Grid got an incentive from ISO-NE and if it is built into the new revenues. Ms. Henschel said yes.

Lindsay Foley present the system reliability plan to the council. Mr. Parker said this section is where National Grid, EERMC, and OER are learning about the energy system of the future.

Motion to approve the final drafts of the 2016 Energy Efficiency Program Plan and the 2016 System Reliability Plan for submittal to the PUC by the October 15, 2015 deadline made by Karen Verrengia. Joe Cirillo seconded. All favored with the exception of Mr. Osada. Mr. Osada provided a handout with graphs illustrating his reasons for opposing. All remaining council members approved.

d) Update on Cost-Effectiveness (C-E) Memo

Mr. Guerard said the council is required to provide the PUC a memo in support of the EE program. He suggested the Council vote to assign executive committee to meet prior to October 30 to approve the memo or approve the provisions of the cost-effectiveness memo included in meeting materials. He

recommended the Executive Committee meet to finalize the memo. Bob Bacon made a motion to Executive Committee to schedule a meeting after the 10/15 EEPP and SRP filing date and before the 10/30 deadline to submit the C-E Memo, and to authorize the Executive Committee to vote to approve the final C-E Memo on behalf of the full Council. Karen Verrengia seconded. All approved. The Executive Committee members decided the new meeting date would be October 15.

5. Other Business

Mr. Osada asked for clarification on the requirement of members and presenters to supply meeting information to the council before the meeting. Chairman Powell explained that factual data needs to be supplied before the meeting so members have a chance to review the material. Votes in favor or in objection to an agenda item must be made only during the meeting time.

6. Public Comment

Brigid Ryan asked if the plan was open to the public. Jennifer Hutchinson explained that the plan is not a filing and therefore it is not distributed to the public. The plan would be made public if filed with the Public Utilities Commission. Ms. Ryan stated her concern about meeting the state goals for carbon reduction.

7. Adjournment

Joe Cirillo made a motion to adjourn the meeting. Bob Bacon seconded and all approved. Chairman Powell adjourned the meeting at 5:38 PM.

Next Meeting: Thursday, November 12th; 3:30-5:30 PM; Conference Room B

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATION
PUBLIC UTILITIES COMMISSION

IN RE: Docket No. 4568 - Review of The Narragansett Electric Company d/b/a National Grid - Review of Electric Distribution Design Pursuant to R.I. Gen. Laws § 39-26.6-24

TESTIMONY OF THE RHODE ISLAND ENERGY EFFICIENCY RESOURCES MANAGEMENT COUNCIL

NOW COMES the Rhode Island Energy Efficiency Resources Management Council ("EERMC") and hereby files its testimony in accordance with the Rhode Island Public Utilities Commission's Rules of Practice and Procedure.

I. INTRODUCTION

National Grid has filed, in Docket #4568, a "Review of Electric Distribution Rate Design". The opening of the Docket and the filing of the rate design were required in the Renewable Energy (RE) Growth Program (REG) legislation enacted in 2014. In filing this rate design the Company appears to have complied with the requirement of the law that its proposal be revenue neutral.

Below is the outline of testimony that would be turned into question and answer format for filing.

II. TESTIMONY

1) **The rate design proposed in the filing by National Grid in Docket #4568 would be likely to have a somewhat negative impact on the adoption of and benefits received from energy efficiency efforts by Rhode Island ratepayers. These efforts are being promoted by National Grid under Rhode Island law as part of Least Cost Procurement.**
   a) The proposed rate design will have a limited, but generally negative impact on customer savings from Energy Efficiency (EE) investments. Since customers are paying more in fixed (only occasionally changeable) kW charges, they will receive less benefit from each unit of efficiency savings.
   b) National Grid asserts that the impact on the average customer (increase of decrease in bills) will not exceed 5%.
   c) The *potential* negative impact (theoretically) of the current proposal could be significant, (although National Grid indicates that it does not believe at this time any customer would experience negative impacts of the highest potential magnitude.)
   d) National Gird also suggests (in a response to an information request) the potential that this rate design could be used to increase the percentage of distribution costs recovered through fixed charges over time from 40% (the effect of this proposal) to as much as 100% in the future. That would increase the negative impacts on residential and small commercial customers significantly.

2) **National Grid's claim that the rate design would give customers an incentive to manage the level and timing of their use is flawed because there is no enhanced customer access to actionable information about how their level and timing of use would affect their bills. The company is clear that this proposal does not include any planning or investment strategy to enhance that capability for customers or the utility.**
   a) The proposed rate design is primarily focused on ensuring National Grid's consistent recovery of distribution fixed costs from customers.
   b) The tiered structure of the rate design is intended to avoid the arbitrary nature of a single and unchanging increase in fixed costs. The attempt is well-intentioned, but unproven. Its mitigation of such a negative impact would be partial and may be of limited effectiveness.
   c) The company would rely on a program of education and outreach to inform customers and encourage energy changes to avoid cost increases. The design of such an effort, its cost, and its likelihood of success are not addressed in the filing. It is not clear whether these costs would be proposed as part of Least Cost Procurement.
   d) Despite its tiered structure the proposed rate design will not serve as an effective strategy for informing customers about the timing, or time-related impacts of their energy use, and cannot be considered a "demand response" rate structure.
   e) In other words, the complexity of the tiered system, the lack of good customer information, and the generally small effect on bills will make it unlikely that this design actually drives positive change in customer behavior.
   f) The RAP paper addresses this approach to rate design at length:
      A few rate analysts have recommended that demand charges be extended from large commercial customers (where they are nearly universal) to small commercial and residential customers. Some of these analysts suggest this is an appropriate way to ensure that solar customers contribute adequate to system capacity costs. This option is inapt for most situations for several reasons. The only distribution system component sized to individual customer demands is the final line transformer. The relatively small portion of cost of service represented by the line transformer required to serve solar customers amounts to only about $1/kW/month. In addition, the diversity of customer demand at any given time of the day, and the lack of understanding of the potentially complex concept, suggest against this option. ***Time-differentiated prices*** *can more equitably recover costs that are actually peak-oriented from all customers, including solar customers. (Smart Rate Design, P. 9, emphasis in original)*
3) **The proposed rate design is grounded in an outdated model of how costs are created by customers. It ignores completely the potential benefits distributed resource investments by customer could provide to the system. The Company, in its filing, actually makes this clear:**
   a) National Grid states on page 16 of its testimony:
      These examples demonstrate the need to recognize three significant facts: the distribution system must evolve to manage significant two-way power flow; the distribution system and the customers must work together to research and develop ways to integrate customer-sided resources into operation of the distribution system to access value on the system from these resources, when feasible, for both parties; and pricing to recover the costs of the integrated system will need to evolve to recognize the changing nature of the connecting customer.

b) Instead of using this docket to propose a new rate design appropriate to this new vision of utility service, National Grid relies on a very traditional notion of cost causation and explicitly avoids the question of how this new vision (outlined in the quotation above, and elsewhere in the filing) of a dynamic and interactive system (for the customer classes most affected) might become possible:

Although the Company does offer rates with demand-based charges to its medium and large C&I customers, the Company is limited in its ability to implement demand-based rate designs for residential and small C&I customers because new, higher-cost metering necessary to measure kW is not typically installed for customers in these rate classes. In addition, significant outreach and education would be needed to provide customers with the information necessary to comprehend the advantages that demand-based rates provide to them. (Testimony, Page 22)

c) While we would agree with National Grid that the path to a new vision of the utility is not already paved, we believe that using an "old approach" at a time of opportunity could be both detrimental to customers and to the long-term realization of that vision. As Lazar and Gonzalez say:

"Rate design is not only the itemized prices set forth in tariffs; it is also the underlying theory and process used to derive those prices. Rate design is important because the structure of prices—that is, the form and periodicity of prices for the various services offered by a regulated company—has a profound impact on the choices made by customers, utilities, and other electric market participants. The structure of rate designs and the prices set by these designs can either encourage or discourage usage at certain times of the day, for example, which in turn affects resource development and utilization choices. It can also affect the amount of electricity customers consume and their attention to conservation. These choices then have indirect consequences in terms of total costs and benefits to society, environmental and health impacts, and the overall economy. (Smart Rate Design, p. 5)

4) **A different approach to addressing the challenges posed by substantial new distributed generation is technically feasible, and could provide significant increased benefits, while still realizing the goal of fairly recovering distribution system costs.**

a) Instead of arbitrarily increasing customer fixed costs in a way that ensures utility cost recovery, but does not advance other system benefits, National Grid could create a system in which customers would:

i) Actually know when they were using energy, and when they were creating high demand;

ii) Participate (either through time-varying rates (TVR) or through actual management of their load by the utility within clearly defined parameters) in reducing usage during times of highest demand, and potentially increasing usage in times of lower system demand.

iii) Have their investments in efficiency, CHP, Distributed generation, and storage linked to a system and management tools that could realize benefits from timely use, non-use, release, or sustained efficiency.

b) The RMI paper on "The Economics of Demand Flexibility" begins to estimate the actual benefits of various possible scenarios for creating and managing what it calls "flexiwatts" as the paper states:

Demand flexibility uses communication and control technology to shift electricity use across hours of the day while delivering energy-use services (e.g., air conditioning, domestic hot water, and electric vehicle charging) at the same or better quality but lower cost. It does this by applying automatic control to reshape a customer's demand profile continuously in ways that either are invisible to or minimally affect the customer, and by leveraging more-granular rate structures that monetize demand flexibility's capability to reduce costs for both customers and the grid. (RMI, p.5).

c) In other words distributed resource assets may also be able to add *new* value to the system that would neither be reflected in rates nor realized under the current system.
d) Both bill savings, and system cost savings can be significant.
e) Rhode Island should not overlook the potential benefits these savings could provide.
f) National Grid also expressed that they do not estimate the benefits to the customer or the system of lower energy prices that might result from effective deployment of "flexiwatts".

5) **An alternative approach that is consistent with Rhode Island's overarching legislative guidance, could actually enhance the implementation of the REG program, and capture increased benefits for participants, customers, and the state. The statute requiring the rate design filing recognizes this possibility.**

a) The legislation directing the conduct of this proceeding includes the following guidance:

> *(b) In establishing any new rates the commission may deem appropriate, the commission shall take into account and balance the following factors:*
>
> *(1) The benefits of distributed-energy resources;*
>
> *(2) The distribution services being provided to net-metered customers when the distributed generation is not producing electricity;*
>
> *(3) Simplicity, understandability, and transparency of rates to all customers, including non-net metered and net-metered customers;*
>
> *(4) Equitable ratemaking principles regarding the allocation of the costs of the distribution system;*
>
> *(5) Cost causation principles;*
>
> *(6) The general assembly's legislative purposes in creating the distributed-generation growth program; and*
>
> *(7) Any other factors the commission deems relevant and appropriate in establishing a fair rate structure. The rates shall be designed for each proposed rate class in accordance with industry-standard, cost; allocation principles. The commission may consider any reasonable rate design options, including without limitation, fixed charges, minimum-monthly charges, demand charges, volumetric charges, or any combination thereof, with the purpose of assuring recovery of costs fairly across all rate classes.*

b) Items 1, 3,4,5,and 6 and the opening clause in 7 in this list suggest that in addition to the traditional rules of rate design and "cost causation" the legislature wants the Commission to

think about this rate design in the context of Rhode Island's broader energy policy legislation and goals, including, of course, the act itself.

6) **The REG legislation should be considered as consistent with and supplementary to Rhode Island's 2006 Least Cost Procurement and System Reliability legislation:**
   a) The legislation repeatedly refers to distributed resources and demand management as part of Least Cost Procurement:

§ 39-1-27.7 System reliability and least-cost procurement. – *Least-cost procurement shall comprise system reliability and energy efficiency and conservation procurement as provided for in this section and supply procurement as provided for in § 39-1-27.8, as complementary but distinct activities that have as common purpose meeting electrical and natural gas energy needs in Rhode Island, in a manner that is optimally cost-effective, reliable, prudent and environmentally responsible.*

(a) The commission shall establish not later than June 1, 2008, standards for system reliability and energy efficiency and conservation procurement, which shall include standards and guidelines for:

(1) System reliability procurement, including but not limited to:

(i) Procurement of energy supply from diverse sources, including, but not limited to, renewable energy resources as defined in chapter 26 of this title;

(ii) Distributed generation, including, but not limited to, renewable energy resources and thermally leading combined heat and power systems, which is reliable and is cost-effective, with measurable, net system benefits;

(iii) Demand response, including, but not limited to, distributed generation, back-up generation and on-demand usage reduction, which shall be designed to facilitate electric customer participation in regional demand response programs, including those administered by the independent service operator of New England ("ISO-NE") and/or are designed to provide local system reliability benefits through load control or using on-site generating capability;

(iv) To effectuate the purposes of this division, the commission may establish standards and/or rates (A) for qualifying distributed generation, demand response, and renewable energy resources; (B) for net-metering; (C) for back-up power and/or standby rates that reasonably facilitate the development of distributed generation; and (D) for such other matters as the commission may find necessary or appropriate.

(2) Least-cost procurement, which shall include procurement of energy efficiency and energy conservation measures that are prudent and reliable and when such measures are lower cost than acquisition of additional supply, including supply for periods of high demand.

§ 39-1-27.8 Supply procurement portfolio. – Each electric distribution company shall submit a proposed supply procurement plan or plans to the commission not later than March 1, 2009, and each March 1, thereafter through March 1, 2018. The supply procurement plan or plans shall be consistent with the purposes of least-cost procurement and shall, as appropriate, take into account plans and orders with regard to system reliability and energy efficiency and conservation procurement.

   b) The Renewable Energy Growth (REG) program is consistent with the spirit and intent of the 2006 legislation and builds on the foundation it laid.

c) It is completely appropriate for the Commission to consider the REG issues in the broad vision and framework laid out in 39-1-27.7 and .8
d) The interrelationship among, Least Cost Procurement, System Reliability, Conservation Procurement, demand response and load control, and even supply procurement is clear in the law.
e) EERMC is charged to look not only at "least cost procurement" (LCP) but at System Reliability Planning (SRP) more generally.
f) Both LCP and SRP explicitly require that the issue of the time of energy use and demand be considered as a part of Rhode Island's approach to providing energy service.
g) Therefore it is appropriate for the Commission to consider how new distributed energy resources including generation (renewable and CHP) and energy efficiency can be advanced in a manner that creates a more reliable and lower cost energy system.
h) Viewing this Rate Design proposal in that context, it misses the opportunity to advance the Rhode Island System into a new era.

7) **In conclusion, it might be a constructive step to expand the current discussion into a broader consideration of the larger issue: Is it time for National Grid to invest in a modern, dynamic, customer-partnered distribution system that can fairly track the real costs and benefits customer investments can (or could) provide?**
   a) Is it time for Grid (and the parties to this Docket) to address the issues of what demand response effort might (as part of least cost procurement) provide more benefit to Rhode Island and its people?
   b) If these issues are fully considered and the answer is "no" then this rate design might be the best option.
   c) But National Grid's explicit assumption in this filing is that this discussion is not on the table. It is for some time in the future.
   d) It would not be unreasonable, and it may be most appropriate for the Commission to delay this proceeding while exploring the underlying issue of what Rhode Island might do now to promote the exciting future that Grid outlines, but chooses not to advance.
   e) It would be important to assess the near-term impact of new REG installations on National Grid's ability to fairly recover distribution system costs. If the impact is small, and there is an opportunity within a reasonable timeframe to design a better system that would fully reflect the goals of the REG act, the Least Cost Procurement statute, and also provide fair and full recovery of actual distribution costs, then that would be consistent with both the spirit and the letter of Rhode Island law.
   f) A deliberate "next step" might be to hold a hearing in which the issue of postponing a decision on this filing is discussed directly, so that the Commission could assess the potential benefits and risks of such an action, and what constructive steps forward might be undertaken.

Outline of Potential Testimony and Consultant Team/Attorney Recommendations RE: Docket #4568

Context:

National Grid has filed, in Docket #4568, a "Review of Electric Distribution Rate Design". The opening of the Docket and the filing of the rate design were required in the Renewable Energy (RE) Growth Program (REG) legislation enacted in 2014. In filing this rate design the Company appears to have complied with the requirement of the law that its proposal be revenue neutral.

In a preliminary hearing in the Docket on August 13, 2015, Commissioners and Staff expressed interest in comments from the EERMC. They sought comments regarding potential impact of this rate design on customers and any positive or negative effect on their likelihood of investing in and realizing savings from energy efficiency were of specific interest.

The Commissioners also expressed an interest in understanding the relationships among, and interactive effects of, decisions they are being asked to make on a number of policy fronts in separate dockets. The EERMC can (and, we believe, should) provide comment in response to these concerns as well. In this context the Consultants would include in testimony a brief consideration of the 2006 Least Cost Procurement Act, which gives strong guidance for Rhode Island's development of System Integration, including load management and demand response as an essential part of the overall objective of the legislation.

The filing has the following features:

1. **As Grid states, "…the proposed rates will reduce the amount of Grid's revenue requirement recovered through variable (per kilowatt-hour) charges and increase the amount recovered through customer and/or demand (per kilowatt) charges."**
2. **As Grid says "The rate structure for Residential Rate A-16 and Small Commercial and Industrial ((C&I) Rate C-06 includes tiered customer charges."**
3. **The proposed rate design includes a provision that the customer's highest-use month would determine what tier they are in and that tier would determine their fixed distribution charge for one year unless usage that triggered a higher tier was reached in a given month.**
4. **The Company proposes "…a charge applicable to stand-alone DG facilities that will be based on the size of the facility."[1]**
5. **The Company does not propose changes to the Low Income Rate A-60, but does state that it "…will consider the appropriate design of the rates for this class in the Company's next electric distribution case."**

[1] A number of parties to this proceeding will be filing or have filed a motion to delete this component of the Rate Design filing. EERMC Consultants and Attorney have followed these discussions, but this issue is not addressed in this outline.

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6. **It is reasonable to conclude that the primary effect of this rate design will be experienced by Residential A-16, Rate C-06, and Stand-alone DG customers. These effects will be experienced both by customers who net meter or are part of the REG program and customers who are not.**
7. **Grid asserts that: “”…no individual residential or small C&I customer within Rates A-16 and C-06 will experience a bill change of more than five percent on a total bill basis.”**

Consultant Recommendations to the EERMC for Action in this Docket:

Scudder Parker and Marisa Desautel have participated in technical hearings regarding this case, including a 7-hour technical session on September 17 in which National Grid presented an outline of its testimony and some supplemental analysis of the potential impacts of the rate design, and in which many parties asked questions of National Grid about its proposed rate design. Some of those questions were turned into formal data requests.

Scudder and Marisa have been reviewing National Grid responses to questions asked by numerous parties….those responses are still being submitted by Grid, and we will continue to review them.

We have also participated informally in discussions initiated by the Office of Energy Resources the Acadia Center, The Conservation Law Foundation, “The Alliance for Solar Choice”, Wind Energy Development, LLC., and the New England Clean Energy Council.

We intend as part of our testimony to seek the admission of two recently-published papers as exhibits in the docket. They are:

“Smart Rate Design For a Smart Future? Authored by Jim Lazar and Wilson Gonzalez, and published by the Regulatory Assistance Project. This paper is available online at: http://www,raponline.org/document/download/id/7680 *(It is recommended reading for interested EERMC members. (There is a very substantive Executive Summary on pages 5-22.)*

“The Economics of Demand Flexibility: How “Flexiwatts” Create Quantifiable Value for Customers and the Grid. This paper is published by the Rocky Mountain Institute, August 2015. It is available online at: http://www.rmi.org/electricity_demand_flexibility. (*Scudder has previously sent this to EERMC members.)*

We propose that Scudder be authorized to draft, submit and present testimony in this Docket (Docket #4568) guided by thse main points.

A more detailed outline of proposed testimony is enclosed separately.

1) **The rate design proposed in the filing by National Grid in Docket #4568 would be likely to have a somewhat negative impact on the adoption of and benefits received from energy efficiency efforts by Rhode Island ratepayers. These efforts are being promoted by National Grid under Rhode Island law as part of Least Cost Procurement.**

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2) **National Grid's claim that the rate design would give customers an incentive to manage the level and timing of their use is flawed because there is no enhanced customer access to actionable information about how their level and timing of use would affect their bills. The company is clear that this proposal does not include any planning or investment strategy to enhance that capability for customers or the utility.**
3) **The proposed rate design is grounded in an outdated model of how costs are created by customers. It also ignores completely the potential benefits distributed resource investments by customer could provide to the system. The Company, in its filing, actually makes this clear.**
4) **A different approach to addressing the challenges posed by substantial new distributed generation is technically feasible, and could provide significant increased benefits, while still realizing the goal of fairly recovering distribution system costs.**
5) **An alternative approach that is consistent with Rhode Island's overarching legislative guidance, could actually enhance the implementation of the REG program, and capture increased benefits for participants, customers, and the state. The statute requiring the rate design filing recognizes this possibility.**
6) **The REG legislation should be considered as consistent with and supplementary to Rhode Island's 2006 Least Cost Procurement and System Reliability legislation:**
7) **In conclusion, it might be a constructive step to expand the current discussion into a broader consideration of the larger issue: Is it time for National Grid to invest in a modern, dynamic, customer-partnered distribution system that can fairly track the real costs and benefits customer investments can (or could) provide?**

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To Rhode Island Energy Efficiency & Resource Management Council (EERMC)
From VEIC/Optimal Energy Consultant Team (C-Team)
Date September 28, 2015
Subject Recommendation for energy efficiency financing consulting services

The C-Team was joined by representatives of OER and National Grid (together constituting the "Finance Subgroup"[1]) directed by the Executive Committee to make a recommendation on a consulting firm to provide energy efficiency financing expertise to the Council. In addition to this subgroup, we received input on the firms from the Rhode Island Infrastructure Bank (RIIB) staff. This memo is intended to describe the review and selection process and to offer our consensus recommendation.

The subgroup reviewed all nine respondents to the July 2014 EE Financing Consultant RFP to determine if they would be suitable candidates for the specific requirements of this project. This evaluation included a review of the proposals and the meeting notes from the interview team, as well as an assessment of the scoring sheets that were used to grade those respondents.

Based on this analysis, the following firms were recommended:

- Cadmus Group
- Dunsky Energy Consulting
- Energy Programs Consortium
- Harcourt Brown & Carey
- HR&A Advisors
- Navigant Consulting

The following firms were not recommended for consideration due to substantial deficiencies found in the proposals submitted or during the 2014 interviews:

- Cycle-7
- Grasteau Associates
- Lamont/First Infrastructure

The six firms recommended were then contacted to determine their interest and ability to be considered for this project for a period of time throughout 2016. All six indicated that they would like to

[1] The primary members of the Finance Subgroup who conducted the majority of the tasks were Peter Adamczyk and Brian Pine/C-Team; Jeremy Newberger/National Grid; and Danny Musher/RI OER. Rachel Sholly/OER and Ian Springsteel/National Grid substituted for their counterparts during the process to accommodate vacation schedules. Scudder Parker and Mike Guerard from the C-Team also contribute input into the process and final selection.

have an opportunity to be considered, and interviews were scheduled from August 31 to September 2. Prior to the calls, each firm was sent a proposed scope of work and the same list of questions that would be discussed in the phone interview.

The members of the Finance Subgroup who participated in the interviews included Danny Musher/OER, Jeremy Newberger/National Grid, and Peter Adamczyk and Brian Pine/C-Team. After the interviews were completed, the interview team met to discuss their impressions of the applicants using the following criteria:

Scoring Criteria	**Description**
SOW Proposal	The quality of the proposal demonstrates the candidate's ability to provide superior expertise for supporting energy efficiency financing strategies in Rhode Island The proposed approach meets the needs and criteria set forth in the SOW
Qualifications & Experience	The candidate has completed similar projects and is qualified to undertake the scope of work outlined in the SOW References and prior work demonstrate the candidate's ability to provide superior facilitation, research, and analytical support
Project Management & Organization	Proposal shows clarity of team management structure, the availability of senior staff to supervise and contribute to the work, and ability to complete deliverables in a timely fashion

Based on these criteria, the interview team unanimously recommended that the following four firms be asked to provide additional information:

- Cadmus Group
- Dunsky Energy Consulting
- Harcourt Brown & Carey
- Navigant Consulting

These firms were invited to submit Letters of Intent that included:

- Confirmation that the firm can respond in a timely manner to task orders issued over the course of a one-year contract

- Key deliverables (both time-dependent and not time-dependent) and schedule illustration.
- Detailed treatment of the approach for the tasks (3 pages maximum)
- Budget/hourly rates for the engagement
- Breakdown of staff effort by hours
- Resumes/CV of key staff

Subgroup members independently reviewed and ranked all four LOIs based on responsiveness to the above factors. It is worth noting that the review committee members felt that the choice was difficult in light of the high quality firms that submitted well-prepared proposals. The subgroup met twice to discuss our rankings and the merits of each proposal. At the conclusion of the process, we reached consensus that Dunsky is the firm acceptable to all stakeholders involved in the proposal review.

To summarize, this process was a hybrid between full RFP process and a sole-source contract. All firms were given the opportunity to make their case for serving the Council in the role of financing consultant on-call. The following factors led to this recommendation of Dunsky:

- **Rhode Island Experience**: Dunsky brings strong understanding of the RI EE/RE financing context and familiarity with the key stakeholders.
- **Financing**: Dunsky brings direct experience designing and evaluating both PACE and institutional financing programs and strategies.
- **Energy Efficiency and Renewables**: Dunsky has a solid reputation for EE/RE expertise, experience and insights.
- **Timeliness**: Dunsky met the milestones for the 2014/2015 Dunsky Study for the EERMC and has a proven record of meeting task orders in a timely manner.
- **Quality**: Based on the experience with the Dunsky Study prepared for the EERMC and the industry reputation, Dunsky delivers quality results for its clients.

RECOMMENDATION for VOTE:

Based on these findings, the Finance Subgroup recommends that the EERMC vote to select Dunsky Energy Consulting to serve as the EERMC Finance Expert on a retainer basis for up to $70,000 for activities to be undertaken upon contract execution through direction of the EERMC. Further, it is approved that the funds will be placed in an escrow account held by the EERMC Attorney through 2016.