



NHPUC 19MAY17PM3:04

May 19, 2017

Debra A. Howland, Executive Director and Secretary
 New Hampshire Public Utilities Commission
 21 South Fruit Street
 Concord, N.H. 03301

**RE: Investigation into Grid Modernization, Docket IR 15-296;
 Joint Comments of Acadia Center, Conservation Law Foundation, New Hampshire
 Sustainable Energy Association, and the Northeast Clean Energy Council**

Dear Ms. Howland:

Thank you for the opportunity to comment on the Grid Modernization report filed in this docket on March 20, 2017 by Jonathan Raab. The undersigned organizations, comprising Acadia Center, Conservation Law Foundation, New Hampshire Sustainable Energy Association, and the Northeast Clean Energy Council, each benefited from the opportunity to participate as stakeholders in this investigatory docket. In this letter, we provide brief comments on the Grid Modernization report including recommendations for next steps.

Brief Comments

We fully support the Commission's efforts to address grid modernization. As the report indicates, consistent with the Commission's April 1, 2016 Order in Docket IR 15-296, stakeholders met for nine meetings to share information and perspectives on various elements of grid modernization. In connection with those meetings, facilitator Jonathan Raab assisted stakeholders to produce a report that reflects initial efforts of the stakeholders to share information and identify areas of common ground. Most importantly, the report resoundingly answers "yes" to the question that the Commission posed in its April 1, 2016 Order, regarding whether grid modernization in some form is workable in New Hampshire.

We recommend the Commission initiate a formal proceeding to develop obligations and parameters for future grid modernization planning. In its April 1, 2016 Order at page 2, the Commission identifies several key objectives of grid modernization. In order to advance those objectives, the Commission should next develop directives for the content and scope of future utility grid modernization plans. These directives will be essential to ensuring the quality, comprehensiveness, and general consistency of utility plans, which is needed to assure that all New Hampshire electricity customers reap the benefits of grid modernization. A set of parameters to guide subsequent filings will also enable the most efficient use of the Commission's time and resources, as well as those of the utilities and other stakeholders. This

recommendation is consistent with the “next steps” enumerated at page 32 of the report, where the stakeholders unanimously agreed that an additional proceeding would be essential to delineate in advance common assumptions and obligations relative to future grid modernization planning.¹

The undersigned believe it is critical to establish clear direction in advance of utility filings of grid modernization plans. Such plans should include the following elements:

- 1) An investigation and description of the company’s distribution system needs;
- 2) A comprehensive description of the resources available to meet those needs, including DERs;
- 3) A description of the resources the company proposes to use;
- 4) A business case analysis that includes the full scope of costs, benefits, and qualitative factors;
- 5) Forecasts of key outcomes;
- 6) A customer engagement plan; and
- 7) A third party engagement plan.

In the next proceeding, we advise that the Commission address the integration of renewable and clean energy, which was not included in this report. In its April 1, 2016 Order, the Commission indicates that facilitating the integration of distributed energy resources is a core benefit of grid modernization. We agree that the electric system needs to match and maximize available energy resources and prepare for further innovations and capacities, particularly in the area of distributed resources. As the Grid Modernization report states, the stakeholders agreed to generally defer consideration of issues related to distributed resources until a later date, due to the ongoing nature of PUC Docket DE 16-576 regarding net metering and related issues. It is therefore essential that the issue of better integrating distributed energy resources and renewable energy be fully considered in a subsequent proceeding. In order to save ratepayers money on their bills, expand consumer choice, and enhance reliability, distributed resources should become a standard consideration of distribution system planning.

We advise that the Commission consider means to integrate the Least Cost Integrated Resource Planning (LCIRP) process with grid modernization planning going forward. Rigorous distribution system planning is most effective when it is inclusive in scope. Arbitrary silo-ing is an obstacle to effective planning and meaningful oversight. The report recommends the Commission consider waiving the next IRP and require the utilities to file grid modernization plans instead. However, grid modernization plan scope and filing requirements

¹ We take no position at this juncture as to the exact nature of such a proceeding, be it fully adjudicative, legislative, or in the form of a rulemaking. We note that the stakeholder process provided a useful forum for the utilities, clean energy businesses, consumer and environmental advocates, and other interested and affected parties to share ideas and delineate issues of significance, and the working group report provides initial input on a number of subjects that will be relevant to the Commission’s decisions in the next stage. However, the report is not exhaustive and is best viewed as an important first step toward developing a regulatory framework to guide grid modernization in New Hampshire.

have yet to be defined. A subsequent proceeding would afford the opportunity to determine how best to integrate the LCIRP and grid modernization planning processes.

We recommend further that the Commission consider additional reforms to utility incentives outside of the scope of this report. Under the current regulatory framework, utilities can earn more on traditional capital infrastructure investments than on operating or non-capital expenditures, including those related to facilitating and integrating distributed energy resources. Without changes to the way the utilities are regulated and rewarded, their fiduciary obligations to shareholders require them to pursue infrastructure solutions with higher earnings opportunities. This financial driver is largely at odds with the Commission's grid modernization objectives and the likely future direction of the electricity industry, where increasingly, New Hampshire's energy needs can be met by local energy resources and smart energy management instead of traditional utility infrastructure. Without changes to the way utilities are regulated and rewarded, they will continue to have incentives to make capital investments that earn more money than alternatives, such as cleaner, customer-centric energy resources. The grid modernization plans envisioned in this report alone will not be sufficient to change these incentives. The Commission should explore more performance- or outcomes-based regulatory approaches to accompany and help realize the benefits of utility grid modernization plans.

We believe performance metrics and opportunities for stakeholder participation will be essential as grid modernization efforts advance. Due to time and resource limitations, the New Hampshire working group has not proposed any performance metrics or specified a further process to develop such metrics. In Massachusetts, the distribution companies convened a joint working group to conduct a cross-utility review process and adopted only four of the fifteen infrastructure and performance metrics proposed by the Department of Public Utilities, nearly all of which may be better characterized as infrastructure metric, not actual performance metrics. To ensure that the New Hampshire utilities adopt metrics that will provide relevant information to determine how grid modernization efforts are advancing the state's policy objectives, we urge that the Commission develop at the outset both explicit directives establishing performance metrics and meaningful opportunities for stakeholder input.

Finally, we believe additional insights may be developed by reviewing recent and ongoing efforts in other New England states. To that end, we attach to these comments the Rate Modernization report filed this spring by stakeholders in Rhode Island.² Whereas New Hampshire stakeholders were unable to address the integration of renewables in this investigatory process due to ongoing adjudication in Docket DE 16-576, the Rhode Island report is inclusive of this subject, and may offer a useful reference point. Recent developments in Massachusetts, including the initial filing of Grid Modernization plans by utilities there, may also offer useful information to both stakeholders and the Commission during the next phase of this process.

Thank you again for the opportunity to participate in the working group process and to offer these joint comments. We look forward to working with the Commission, the utilities and

² Attachment 1, Cover Letter and Report of the Stakeholder Working Group Process in Rhode Island Docket 4600, filed by Jonathan Raab at the Rhode Island Public Utilities Commission on April 5, 2017.

other stakeholders to take the next steps to capture the benefits of grid modernization for New Hampshire communities, businesses, and industry.

Sincerely,



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