



STATE OF RHODE ISLAND

# ENERGY EFFICIENCY & RESOURCE MANAGEMENT COUNCIL

## EERMC FULL COUNCIL MEETING MINUTES

Thursday, July 25, 2019 | 3:30 - 5:30 PM

Conference Room B, 2nd Floor, Department of Administration, Providence, RI

---

**Members in Attendance:** Chris Powell, Anthony Hubbard, Carol Grant, Tom Magliocchetti, Karen Verrengia, Tim Roughan, Rachel Henschel, Butch Roberts, Bob White, Peter Gill Case, Kurt Teichert, Nick Ucci, Bill Riccio, Betsy Stubblefield Loucks.

**Others Present:** Mike Guerard, Mark Kravatz, Dr. Carrie Gill, Nathan Cleveland, John Richards, Laura Rodormer, Matt Ray, Matt Chase, John Tortorella, Chris Porter, Joel Munoz, Adrian Caesar, Hayley Kenyon, Louis Cotoia, Cheryl Boyd, Bryan Evans, Abbie Hasenpus, Ben Rivers

All meeting materials can be accessed here: <https://rieermc.ri.gov/meeting/eermc-meeting-july-2019/>

### 1. Call to Order

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

### 2. Introductions

With so many new members recently appointed to the Council, Chairman Powell asked that all members of the council introduce themselves and the role they are representing so that everyone, including the public, can get more familiar with the membership of this body.

All members in attendance briefly gave their name and role on the council.

### 3. Approval of Council Meeting Minutes

Chairman Powell explained that because the Council lacked a quorum at prior meetings to conduct votes, they would take advantage of today's quorum to vote on meeting minutes from January through June. Copies of each of those meeting's minutes are available in the left pocket of Council members materials packets. He also reminded everyone that only Council members in attendance at those meetings are able to vote on the minutes.

Ms. Verrengia made a motion to approve the January meeting minutes as written; Vice-Chair Hubbard seconded the motion, and the vote to approve as written was unanimous.

Ms. Verrengia made a motion to amend both the February and March meeting minutes to include her name in the attendance header of each document to properly reflect her attendance and to approve those minutes subject to that amendment. Vice-Chair Hubbard seconded the motion and the vote to approve the February and March meeting minutes, subject to amending the attendance record, was unanimous.

Ms. Verrengia made a motion to approve the April meeting minutes as written; Vice-Chair Hubbard seconded the motion, and the vote to approve as written was unanimous.

Ms. Verrengia made a motion to approve the May meeting minutes as written; Vice-Chair Hubbard seconded the motion, and the vote to approve as written was unanimous.

Ms. Verrengia made a motion to approve the June meeting minutes as written; Vice-Chair Hubbard seconded the motion, and the vote to approve as written was unanimous.

#### **4. Executive Director Report**

Commissioner Grant reported that Governor Raimondo recently issued an Executive Order ([Executive Order 19-06](#)) on heating sector transformation, which the Office of Energy Resources and the Division of Public Utilities and Carriers will lead. This effort will have a similar feel to the ongoing power sector transformation initiative and a report in April of 2020 will lay out the agenda for the future of this effort. The process will involve significant engagement of stakeholders and Commissioner Grant encouraged everyone to let the Office of Energy Resources know of anyone who should be engaged or in the work ahead.

#### **5. Chairperson Report**

Chairman Powell formally welcomed the newly appointed members of the Council to their first meeting and thanked those who were able to participate in the prior week's retreat.

Anyone wishing to make public comment was instructed by Chairman Powell to use the sign-up sheet at the entry table and also noted that there would be two opportunities for public comment, both after the discussion of the first draft of the Energy Efficiency Plan as well as prior to the close of the meeting.

Chairman Powell then reviewed the agenda for the meeting, informing everyone that we would be hearing more about National Grid's first draft of the 2020 Energy Efficiency Plan, hearing a presentation about the 2019 Energy Expo, and discussing the first draft of the SRP plan.

Council members were then informed by Chairman Powell that in the left pocket of their folders was an EERMC Q2 budget report for their review. While this is not a topic for discussion at this meeting, he encouraged any members with questions to reach out to Ms. Trietch or Mr. Cleveland at the Office of Energy Resources. Chairman Powell also reminded Council members that the consultant team from Optimal Energy will be reaching out to each of them, if they haven't already, to schedule one-on-one meetings during which they will solicit feedback from Council members on the draft annual plans to provide to National Grid.

Ms. Verrengia made a motion to amend the agenda for today's meeting to move agenda item seven (7) – the 2019 Energy Expo presentation – ahead of agenda item six (6) – the Energy Efficiency Program Oversight discussion. Mr. White seconded the motion, and the vote to amend the agenda was unanimous.

With that, Chairman Powell called up the representatives from the Rhode Island Builders Association for the Energy Expo presentation.

#### **6. Special Topic**

##### *a) Presentation on the 2019 Energy Expo*

Mr. Cotoia and Ms. Boyd, representing the Rhode Island Builders Association (RIBA), gave their presentation on the 2019 Energy Expo. Mr. Cotoia began by providing some background on the Council's involvement with the Expo, dating back to 2014 when the Council initially became a key sponsor of the event. Since then, the Council had remained a key annual supporter.

Mr. Cotoia provided some statistics on the 2019 Expo which indicated that while attendance was down in 2019 from the prior year (likely due to unseasonably warm weather on the weekend) the quality of the guests remained high. The slides demonstrating attendee personal information (age, gender, financial means, etc.) are all based on the post event survey done by RIBA and is kept totally anonymous to facilitate comfort and participation in the survey. Social media is playing an increasing

role in outreach/awareness for the Expo and despite the attendance dip, metrics for performance and engagement for the 2019 Expo remained high. Specifically, Mr. Cotoia also mentioned the following: that on-site light bulb sales decreased this year – likely in part because of lower than anticipated weekend attendance and the maturity of the lighting market – but remained a key “take home” item for many attendees; that school participation has dramatically increased and that the Expo has become part of the curriculum in some schools; and that awareness of energy efficiency has increase year over year, especially with respect to a customer’s willingness to pay for more energy efficient homes.

Ms. Verrengia commented that she was pleased that the Council has continued to support this program each year and has been very impressed with the progress and success of the Expo over time.

Ms. Henschel asked if their data had any information about the future workforce participation in the energy and building sector for those student participants in the Expo. Mr. Cotoia and Ms. Boyd explained that there were privacy issues that prevent detailed tracking of students but said that anecdotally the indications are that there is a positive relationship there.

Mr. Cotoia then mentioned how National Grid is now consistently featured in RIBA’s monthly publication and the articles have been getting significant traction and engagement. RIBA is interested in working with the Council and other stakeholders on developing the theme/messaging for the 2020 Expo.

Mr. White asked if they had any exhibits demonstrating the progress in piping over time, similar to the exhibits depicting improvements in insulation and wiring. Mr. Cotoia indicated that there are only two (2) school programs in the state dealing with piping but they were hoping to focus more on this in the future.

Mr. Cotoia and Ms. Boyd closed their presentation by outlining the visibility provided through a sponsorship of the Expo and how they were excited to continue working with the Council, National Grid, and other stakeholders to put on an even better show next year.

#### *b) Discussion & Vote on Energy Expo Sponsorship in 2020*

Following the presentation by Ms. Boyd and Mr. Cotoia, Chairman Powell opened the discussion about the Council funding the 2020 Energy Expo by asking if there was a specific dollar amount attached to their sponsorship. Mr. Ucci explained to the group that the Council wasn’t voting on a specific dollar amount today, as any funding for the 2020 Expo would be contingent on future budgetary discussions later in the year but did note that typically the funding level has been \$40,000 with a direct match from National Grid.

Mr. Teichert then asked what would change if the Council didn’t fund the Expo; would it still happen? Chairman Powell indicated that without this funding the energy piece of the Expo would certainly not happen.

Ms. Verrengia reiterated that sponsoring the Expo puts the energy demonstration in the main concourse, which means that all of the energy exhibits are in the hallway outside the main hall and that all attendees have to pass by it on the way in and out, which is great visibility.

Mr. Riccio asked if there was a monetary cap on how much they could spend on this sponsorship, to which Chairman Powell replied that the Council budget runs on a calendar year basis and not on a fiscal year ending June 30, and so exact funding can’t be determined until later in the year.

Mr. Ucci and Commissioner Grant supported Chairman Powell statement on the budgetary cycle and reiterated that this vote was not for a specific dollar amount but merely to determine if the Council felt this would generally be a good investment and the exact dollar amount could be voted on at a later meeting when budget planning begins. Mr. Guerard then explained how an affirmative vote on this

item today would simply put a placeholder in the budget for planning purposes and that the Council could then vote on a specific dollar amount in a future meeting with more accurate budget numbers.

Mr. Riccio then asked if the 2019 budget sheet shows an expense from the prior year's Expo and Chairman Powell indicated that this was correct and that funding for the Expo one year is reflected on the Council's budget in the following year.

Mr. Gill Case then made a motion to include funding of the 2020 Energy Expo in the 2020 Energy Efficiency and Resource Management Council's budget, with the amount of funding contingent on available funds. Vice-Chair Hubbard seconded the motion and the vote to approve was unanimous.

## **7. Program Oversight**

### *a) National Grid Presentation on the First Draft of the 2020 Energy Efficiency Plan.*

Mr. Ray presented on the first draft of the National Grid 2020 Energy Efficiency Plan by first reviewing the goals of the plan, which are: adherence to Least Cost Procurement standards, being informed by the targets and commitments made in the three-year plan, and being responsive to stakeholder priorities as outlined in presentations at the Energy Efficiency Technical Working Group. Mr. Ray indicated that the stakeholder engagement process outlined 107 priorities for the 2020 plan and that National Grid focused most heavily on those priorities which were supported by 10+ comments from stakeholders.

The focus of the plan, according to Mr. Ray, was to address these significant stakeholder priorities across the residential and commercial and industrial sectors. Specifically, in the residential sector the Company was focused on the enhancement of the income eligible services programs, participation, and workforce; electrification of the heating sector through heat pump goals and the inclusion of integrated controls on those systems, and more in-depth customer marketing based on a detailed segmentation analysis. In the commercial sector, Mr. Ray indicated the Company was most focused on workforce development through building operator certifications, heat pump equipment and other focused trainings as well as through their code compliance initiative. National Grid is also using a targeted approach to larger customers, with a focus on chain restaurants and the lodging/hospitality industry and is continuing its efforts to focus on small business customers, particularly in environmental justice zones.

The Company is also proposing for the 2020 plan to change how the Company measures their performance and tracking of savings versus goals. Specifically, Mr. Ray introduced the Company's proposal to change from annual savings measures to a lifetime, fuel agnostic MMBtu metric. Mr. Ray outlined National Grid's rationale for this change as being a more comprehensive metric that focuses on deeper savings through measures with a longer lifespan and puts this plan (and the Company) in better alignment with state policy goals, decarbonization efforts, and a focus on the future of the energy landscape.

Mr. Richards, from National Grid, then came forward to discuss the differences between annual and lifetime goals and provided examples in the market rate residential sector using 2020 goals to illustrate the change in these metrics. He specifically stated that the examples were presented in the market rate section because the metric change doesn't have as drastic an effect in the income eligible or commercial and industrial sectors. The change in metrics from annual to lifetime increases emphasis on the EnergyWise program and the EnergyStar HVAC efforts and de-emphasizes EnergyStar Lighting and Home Energy Reports, which provide shorter-term savings. Mr. Richards also provided a similar graphical representation of the proposed change's impact on the gas sector, which mirrors the electric side in emphasizing the EnergyWise programs and HVAC efforts while de-emphasizing Home Energy Reports.

Mr. Richards then explained that the 2020 plan has a lower target for the electric side of the business than projected for 2020 in the three-year plan, and on the gas side the target for 2020 matches that of the three-year plan. Despite this lower projection for electric, the Company is projected to exceed the total three-year savings goal (all three years combined) thanks to a strong year-one performance in both the gas and electric portfolios. Mr. Richards then provided reasoning behind the electric side changes, illustrating that differed Combined Heat and Power (CHP) projects and Evaluation, Measurement, and Verification (EM&V) updates were the big drivers in expected savings, though the Company has tried to offset these reductions in claimable savings with improved program performance in other areas.

Mr. Porter from National Grid then came up to go over the budget numbers for the plan as well as proposed adjustments to the energy efficiency charge and the performance incentive. On the electric portfolio, the budget is increasing for 2020 but remains under budget of the total electric budget (over the three years) of the three-year plan. For the gas portfolio, the budget is 3% over the three-year plan targets, but the program has over delivered savings every year.

In the first draft of the EE Plan, the Company has proposed that the energy efficiency charge increase by 30% from \$0.011 to \$0.014 per kWh. Mr. Porter outlined the major contributing factors to this adjustment, including: a negative energy efficiency fund balance of ~\$10MM; \$7MM in increased program spending; declining revenues from the Forward Capacity Market of ~\$6MM; and declining kWh sales of ~1-2%. The Company has also proposed that the gas efficiency charge increase from \$0.07 to \$0.11 on the residential side and \$0.04 to \$0.08 on the commercial and industrial sector. Mr. Porter indicated that these changes are driven by a negative fund balance of ~\$11MM and increased program spending of ~\$3MM.

Mr. Porter then covered the Company's proposal to increase their performance incentive mechanism (PIM) from 5% to 5.5% if the Company hits 100% of the 2020 savings goal. He indicated that the PIM was a signal to the Company and that it would give them more "skin in the game" for their performance, as they view the move to lifetime MMBtu as riskier from a business perspective.

Chairman Powell asked if the earning of 5.5% would be based on the achievement of lifetime MMBtu savings, to which Mr. Porter indicated that it would be. Mr. Riccio then stated that the Company was asking for a 10% raise, to which Mr. Porter agreed and said they were asking for this increase due to increased risk.

Mr. Gill Case then asked if the increased risk was related to the change to the lifetime MMBtu metric. Mr. Porter indicated this was correct because National Grid feels that reaching those goals will be tougher and more expensive. Mr. Gill Case then asked if the Company was expecting ratepayers to then help National Grid make up for declining sales through the increased performance incentive when they should have been able to foresee that? Mr. Porter then clarified that kWh sales were not a part of the performance incentive payout to National Grid and Chairman Powell, in response to Mr. Gill Case's question, stated that this is simply a proposal and part of a negotiation process.

Mr. White asked if this surcharge applied to residential only or all sectors, to which Mr. Richards replied that electric side of the portfolio had the same surcharge for all but that the gas side had different surcharges for residential and commercial and industrial customers.

Mr. Porter then clarified that the increase of 10% was only in the Company's achievable reward based on the program budget and that they still had to hit savings targets to earn it, and reiterated that switching to lifetime MMBtu is harder because the Company lacks the flexibility it has previously had with an annual metric to boost performance as the year ends through mechanisms like flash lighting sales. Mr. Guerard replied that based on the ~\$140MM budget the Company was looking for a \$700,000 increase in the performance incentive and asked what warrants that increase? Mr. Porter

replied that it was to balance the difficulty and risk of switching to lifetime MMBtu with the Company's financial opportunity.

Mr. Riccio then asked if the Company wanted a 10% raise, why aren't they increasing their goal? Ms. Henschel then replied that the Company had changed everything in the 2020 plan, to which Mr. Riccio responded that the annual metrics were the status quo frame of reference for many people, so why the 10% increase (in addition to the metric change)? Ms. Henschel replied that the increase was reflective of the increased risk.

Mr. Riccio then said that lifetime was a much more complex metric than annual and asked how lifetime savings were being defined for measures under the switch. Mr. Porter replied that the lifetime savings value of measures is determined through an industry standard process and not set by the Company. Mr. Riccio then stated that there were numerous acronyms being utilized without being defined and that made it more difficult for new people to follow the conversation. Mr. Porter responded by clarifying that each measure (or individual item) has a useful service life and that savings of a measure are equal to the lifespan of the measure times the industry agreed upon savings it generates. Chairman Powell then went on to explain that a light bulb has a short life span and so the lifetime savings of that are relatively small compared to a longer lifespan measure like a heating system, which has significant lifetime savings but those tend to cost more and likely require increased incentives; insulation is another good example of a measure with high lifetime savings.

Mr. Ucci commented that this was simply a first draft from National Grid and that stakeholders now get to test their assumptions, and this will be iterated on to ideally ensure everyone is comfortable with the end product. Mr. Guerard added that there are two big changes proposed that need to be discussed, the switch from annual to lifetime measurement, but also the shift from specific fuel targets to an all fuels MMBtu.

Chairman Powell mentioned that this switch to a lifetime metric was driven by the Council's desire to address delivered fuel use and to get National Grid to engage with those customers. Mr. Gill Case indicated that the proposed PIM increase didn't pass his 1<sup>st</sup> read through, to which Chairman Powell reiterated that the performance incentive is different from the lifetime conversion to an extent. Mr. Porter commented that aligning goals all the way through typically leads to the best outcomes for everyone, and Chairman Powell noted that the Company needs to get a return on investment for their efforts. Mr. Gill Case remarked that he was addressing the change to 5.5% performance incentive specifically.

Mr. Roberts asked if National Grid's goals are harder and they want more money, what if the performance incentive remains the same but the goals decrease to lower the Company's risk? Mr. Teichert noted that the Company was above their goal in 2018 and asked if they typically meet or exceed their target each year. Mr. Porter remarked that he felt the Company was typically in the 95-105% range of meeting their goal for the previous few years. Mr. Guerard remarked that National Grid had hit or beat its targets each of the past five years and reminded everyone that the 2020 targets they already set were annual metrics and not lifetime, so the 2020 goal being proposed was not approved by this council and so the annual numbers would need to be converted to lifetime for reporting in this proposed plan.

Ms. Henschel then stated that National Grid would be happy to provide more detailed examples at a future meeting that better illustrate why they see more risk and walk the Council through those. Mr. Roughan stated that lighting measures are quick and easy which allows the Company to be more agile during the year but that deeper measures take more time and are harder to sell and thus come with more risk and so should be rewarded more. Mr. Rivers, from National Grid, remarked that it might be helpful for the new Council members to recognize that the decrease in kWh sales is not tied to the performance incentive targets or the proposed increase in the performance incentive to 5.5% and that those decreased sales are represented in the increase energy efficiency surcharge. To close out this

portion of the meeting, Mr. Ray reminded everyone that stakeholder comments on the first draft were due by August 9<sup>th</sup>.

*b) Presentation on Benefit-Cost Model Inputs & Evaluation Results Impacting the 2020 Energy Efficiency Plan*

Mr. Kravatz, from Optimal Consulting, gave an overview of the Technical Reference Manual, which is the foundational document for measure characterization and details how savings are calculated (both annual and lifetime savings). It contains all the inputs and algorithms that determine what savings can be claimed from a given measure. These standards thereby inform program design and evaluations, and help dictate year over year program changes in the plans.

Mr. Tortorella, from National Grid, then highlighted some of the key evaluations that have been undertaken that influence the design of the 2020 plan. There are two Commercial and Industrial sector studies that are in progress, both are impact evaluations of 2016 custom installations for gas and electric customers, respectively. The realization rates in these studies are down slightly from the projected numbers and so that will likely have an impact on claimable savings for the Company. However, he expects these studies to be done by mid-August and the actual impact will be clearer then.

Three studies on the residential side have been completed – a residential lighting market assessment, a residential appliance recycling savings update, and a Wi-Fi thermostat savings study – all of which will inform program design and goals for 2020.

Mr. Kravatz then clarified the definition of a realization rate, indicating that it tracks what savings were actually achieved with a given measure, with low realization rates impacting both savings and the likelihood of that measure continuing to be offered.

Mr. White asked who does all of the evaluations and what the sample size of these evaluations were. Mr. Kravatz replied that all evaluations are done by third-party companies selected through a competitive procurement process and Ms. Henschel stated that ISO-New England sets the precision levels that need to be hit for evaluations which informs the size of the sample needed. Chairman Powell noted that realization rates are also impacted by free-ridership. Mr. Kravatz also stated that the standard was robust, and that the consultant team and the Office of Energy Resources hold the evaluators accountable.

Chairman Powell then announced that agenda item eight (8) on *System Reliability Procurement Oversight* would be removed from today's agenda and discussed at a future meeting in the interest of time.

*c) Consultant Team Presentation & Council Discussion on the First Draft of the 2020 Energy Efficiency Plan*

Mr. Guerard began by reiterating to the Council that the consultant team would be scheduling one-on-one meetings with individual members prior to August 9<sup>th</sup> (the deadline to submit comments to National Grid) in order to gather Council member thoughts. He also mentioned that a second draft of the Energy Efficiency Plan, incorporating all stakeholder feedback would be sent out prior to the next Council meeting and that we would continue to discuss issues raised today at that time.

With respect to the 2020 Energy Efficiency Plan, Mr. Guerard noted that the annual plan is tied to the targets set in the three-year plan and that some changes in year-3 aren't unusual. He continued by saying that annual plans need to adhere to Least Cost Procurement law and are informed by prior years performance. The results of the evaluation studies inform program delivery and measure selection as well. He also said that it was the Council's job to take into account innovation and to push National Grid to embrace new opportunities and that the annual plans are also informed by regulatory and

Public Utility Commission directives, state policy goals, other state agencies (e.g. building code changes) as well as legislative changes. Mr. Guerard illustrated to the Council the number of filters the consultant team uses to parse the data and ensure the plan adheres to all of its legal requirements.

Mr. Guerard then highlighted a couple of areas that the consultant team was looking at in the 2020 plan, including the annual transfer amount to the Rhode Island Infrastructure Bank in support of the Efficient Buildings Fund, which supports energy efficiency in municipal buildings. The Public Utilities Commission is currently trying to determine how those funds are utilized and what the cost effectiveness of those loans are, with a placeholder amount in the budget until that gets taken care of.

Additionally, Mr. Guerard noted there will be updated language regarding Combined Heat & Power (CHP) projects, particularly on the notification process for larger projects for which the Company pre-collects money to spread the collections over multiple years to minimize spikes to the system benefit charge. This notification process would ideally include the Office of Energy Resources, the Division of Public Utilities and Carriers, and the Council. Chairman Powell asked how that notification process fits into the CHP project timeline and Ms. Henschel indicated that because many CHP projects are multi-year complex projects that determining when the right time to collect the money and how to ensure the process keeps moving forward for the customer were tricky things to balance.

Ms. Verrengia noted that a customer may not commit to a large project like this without a guarantee of an incentive to which Ms. Henschel replied that the Company wants to ensure this process benefits customers and that they are being transparent throughout. Chairman Powell suggested that one option would be to develop a non-binding memorandum of understanding to allow projects to move forward to which Ms. Henschel replied that the Company was making memorandums of understanding easier to execute.

Commissioner Grant then commented that Ms. Trietch was very involved in process improvements to CHP development and that adjustments are likely for the second draft. Mr. Magliocchetti suggested that a case study of a successful CHP project might be helpful and illustrative and noted that National Grid was very supportive of his efforts to utilize this program.

Mr. Kravatz then reminded Council members to check their email for the one-on-one meetings the consultant team is trying to schedule. Vice-Chair Hubbard asked if the consultant team had been tracking feedback from prior conversations between the Council members and the consultant team. Mr. Guerard indicated that they were doing.

## **8. Public Comment**

### *a) Public Comment*

There were no public comments made.

## **9. Adjournment**

Chairman Powell requested a motion to adjourn the meeting. Mr. Riccio made a motion to adjourn, and Ms. Verrengia seconded it. All approved.

The meeting was adjourned at 5:34PM.