

Memorandum

To: Energy Efficiency & Resource Management Council
From: Mike Guerard, Optimal Energy
Date: December 12, 2019
Subject: Updated proposed 2019 Scope of Work content, objectives and budget

I. Introduction

Optimal Energy, Inc. (Optimal) and its partners (collectively the Optimal Team, or C-Team) appreciates the Council's consideration to extend our work in support of the EERMC's objectives and mission for another year. As we have over the last two years of the current contract, our primary goal is to continue, and improve, the critical core services that allow the EERMC to fulfil its key role in bringing the significant benefits all Rhode Islanders receive through effective application of the Least Cost Procurement (LCP) law. In 2020, we enter the third year of the current Three-year Plan and challenges in the industry (e.g. decline of lighting savings, need for deeper savings, and scaling of electrification) will require close oversight and support of implementation activities detailed in the recently-filed 2020 Energy Efficiency Program Plan (EPPP) to assure successful accomplishment of goals. In addition to this, the third year of a three-year plan represents the addition of triennial tasks that present unique challenges. Prior to beginning the traditional annual planning, three critical tasks need to be completed: setting three-year targets for 2021-2023; updating, as-needed, the LCP Standards; and development of the 2021-2023 Three-year Plan.

Our proposal also features continuation of additional roles deemed valuable by the EERMC during 2018-2019 in the areas of public education, stakeholder coordination and support, council member expertise building, and continued emphasis on innovation and focus on the future.

For consistency, we propose to maintain an approach that mirrors our response to the 2018 Request for Proposal (RFP), and this Scope of Work (SOW) will align with that structure. The three major work areas are:

- EERMC oversight (day-to-day activities)
- Cyclical planning and reporting activities
- Policy and strategy

Collectively, these work areas address the varied roles that the C-Team plays over the course of the year as part of the three-year planning and implementation cycle to support the EERMC and the Office of Energy Resources (OER). For 2020, elements that will require new or expanded efforts than in 2019 include:

- Potential Study completion: In 2019, the Optimal Team in coordination with OER and other key stakeholders supported the development of the Potential Study objectives, scope of work, solicitation and selection of vendor and management/oversight of vendor activities. In 2020, the preliminary data is planned to be completed in the first month, and the final report will be completed in the second quarter. We will continue to manage the vendor, facilitate stakeholder coordination and package and present all findings to the EERMC.
- 2021-2023 Target setting: Based on the findings of the Potential Study, sufficient information will be available to set targets covering the next stage of Rhode Island's three-year LCP cycle. The Optimal Team will provide updates on

results and recommendations to the Council to support your deliberations and decisions on the targets to propose to the PUC to effectively meet LCP law.

- LCP Standards update: Aligned with setting targets is a process to review, and update if needed, the LCP Standards¹. The standards cover both energy efficiency and system reliability procurement. A process to review and propose edits to correct and/or enhance the standards document to support continued success of LCP is a triennial event. Activities will include close input with all key stakeholders.
- Three-year and Annual Plan development: Once the targets and standards are filed and approved, three-year planning reflecting the updated standards will commence to meet the targets. While this represents a significant task to be undertaken, it has the benefit of supporting what should be a more streamlined annual planning process. The Three-year Plan is due on September 1; the Annual Plan is to be filed on November 1. A key task for the Optimal Team will be to work closely with all stakeholders to support the alignment of processes and deliverables to allow all council members sufficient information and time for due deliberations and decision-making.
- Expanded council member support: Through meetings, education to build expertise base, and discussions on constituency issues, as well as additional activities related to onboarding the new 2019 voting members and the anticipated addition of new members in 2020 set to fill an expiring term or resignation, the C-Team will strive to support individual and group council member needs.

In order to deliver this work with continued efficiency and success, the Optimal Team's roster will stay largely unchanged. As always, when need arises to address critical issues in the industry on policy, process, or program technology, Optimal has direct access to industry subject matter experts, and can access them as-needed on discrete tasks. One important adjustment, however, will be expanded support from Eric Belliveau, a principal at Optimal. Eric leads the strategic direction of the Massachusetts' Consultant Team and serves as a key resource for the Massachusetts Energy Office and Energy Efficiency Advisory Board council members. His deep insights from our neighboring state, as well as experience in many of the other ACEEE Scorecard top ten states, will provide timely and actionable information to help Rhode Island's advancement on policy and strategy issues.

In each of the three work areas below, our scope is keyed to a **bolded abridged start** of the many aspects of the contract spelled out in the original RFP and more fully described in the budget table below.

Work Area 1 - EERMC oversight; day-to-day activities

Our first work area consists of the many related and integrated tasks that are necessary to maintain a consistent and efficient flow of information to support decisive actions from the EERMC.

Enhance EERMC member interpretation and understanding...

Document and/or conduct research and analysis, and create recommendations...

Fully participate in the development of EERMC priorities...

Educating Council members ties directly to the task of developing EERMC priorities. We believe that an essential role of the Optimal Team is to ensure that individual EERMC members feel supported and empowered to provide strong energy efficiency leadership and, as a collective body, to serve as stewards of Rhode Island's LCP law. The Optimal Team will work continuously

¹ <http://www.ripuc.org/eventsactions/docket/4684-LCP-Standards-FINAL.pdf>

to advance the EERMC's knowledge of the LCP standards and EERMC responsibilities, energy efficiency technologies and programs, and key energy policy issues affecting the State through the following activities:

- Council member orientation for existing and new members
- Organizing the annual retreat, building on the success of the recent retreats
- Scheduling periodic, and as-needed, meetings with individual council members on key constituent issues and to support Target setting, Three-year Plan and Annual Plan development and approval
- Maintain an up-to-date EERMC website of all relevant information for members and the public
- Council member surveys and interviews on issues/topics of interest, which will then feed into development of curriculum for future educational opportunities, reports and the annual retreat
- Continued coordination and support to the Communications subgroup

Actively participate and provide expertise in meetings...

The C-Team will provide in-person representation by at least one member of the core leadership group at all key meetings with the EERMC, the EERMC Executive Committee, OER, Division, PUC, and EE/SRP Technical Working Groups. We expect that, as in the past, most months will see us distributing or presenting information to support discussions on relevant topics. We will also participate in preparatory and debrief sessions with other participants and provide input that is representative of the EERMC's priorities. With the addition of Targets, LCP Standards and the Three-year Plan to the 2020 tasks, we estimate that over 100 meetings will need in-person support next year.

Assume responsibility for managing additional consultants...

The C-Team will continue to assume responsibility of managing the Potential Study vendor in the delivery of all approved and budgeted deliverables, on time and with full compliance of objectives. If other needs arise for the EERMC to utilize additional consultants, we are prepared to support that, also.

Assist with oversight of National Grid's investment of ratepayer funds...

Verify that energy efficiency program design and implementation are delivering excellent service...

Advocate for program design and delivery improvements...

Monitor, facilitate, and report on implementation and progress towards goals...

Provide independent assessment of utility data reports and information...

Advocate for excellent data reporting...

Work with Grid to receive more comprehensive and timely exchanges of relevant data...

To maximize benefits to ratepayers, the Optimal Team will work on behalf of the EERMC to oversee EE and SRP activities. We will manage monthly Residential/Income Eligible sector, C&I sector, and EM&V (separate meetings for C&I and residential) strategy meetings that include OER, Division and National Grid staff, and SRP meetings as needed; hold programs accountable by enhancing and reviewing monthly data and quarterly reports to monitor progress towards program and savings goals; and when we recognize potential underperformance, we will disclose it at Council meetings or in memoranda and work closely with National Grid to better understand its nature and cause. We will continue our efforts in 2020 to properly calibrate the number of consultant participants in these meetings. While we have iteratively been improving the quality and timeliness of data exchanges with National Grid, efforts are underway to further enhance access and use of information to support

accuracy, efficiency and value. A key part of this process will be seeking input from council members to confirm that their individual needs are met, as well as for their specific constituencies.

Apprise the EERMC of developments in other jurisdictions...

We will leverage our team's contracts in other jurisdictions, including many of the leading states, to facilitate rapid and thorough information-sharing of best practices and "lessons learned." We expect to bring forward timely and valuable information to support Rhode Island objectives with minimal additional effort.

Work to ensure that all programs are effectively coordinated and integrated with other state clean energy initiatives...

We will collaborate with the EERMC, Technical Working Group, OER, Rhode Island Infrastructure Bank (RIIB), and other stakeholders to address key topics as they arise.

Work Area 2 - Cyclical planning and reporting activities

Our second work area is focused on the annual and three-year planning and reporting cycles that form the basis for EE and SRP goals, program design, budgets, and National Grid's performance incentives.

Support the development of Annual Report to the General Assembly

As in 2019, C-Team is prepared to continue a larger role in the development, production and submittal of the Annual Report. This will be conducted, and dependent on, key contributions from National Grid and the OER.

Represent the EERMC's priorities in the development of annual and triennial energy efficiency and system reliability plans.

The EERMC's responsibilities for annual and triennial planning are established in the LCP Standards. It is expected that the significant work completed in 2019 to revamp the annual planning timeline and process, and the resulting lessons learned, will support improved smoothness in the process for the 2021 annual plan. Additionally, the three-year planning that will stem from the Market Potential Study will also have to be layered into the planning processes. As done for annual plans, we will work closely with OER, National Grid, the Division and stakeholders to establish timelines and deliverables to support the EERMC and other stakeholders' opportunity to provide meaningful and timely input.

During the planning cycles, the C-Team will work on behalf of the EERMC to ensure that National Grid is capturing all cost-effective energy savings, comprehensively serving all customer segments, and innovating to address emerging opportunities and policy priorities as *cost-efficiently* as possible.

Conduct a detailed review and report on the cost-effectiveness of efficiency plans...

In 2020 we will continue to invest substantial effort on behalf of the EERMC in coordinating with National Grid on the data in the annual planning effort. We will use rigorous analysis and seek robust consensus in doing so. Our goal is to have the 2021 Annual Plan approved by the EERMC and recommended to the PUC, who in turn will provide final approval of the annual plan. This task involves detailed review of the Technical Reference Manual and the Benefit/Cost Models. This results in us being able to provide the Cost-Effectiveness Report to be voted on by the council as confirmation to the PUC that the plans are cost-effective and less than the cost of supply, per LCP law. We then work with EERMC legal counsel to complete the submittal of the report within required deadlines.

Work Area 3 - Policy and strategy

Our third work area is broadly defined to cover all EERMC activities and needs related to policy and strategy decisions. We expect that much of our work here will address the following issues: continued efforts to revise the performance incentive framework for EE programs to better align with the activities and outcomes of the PST proceeding and the National Grid rate case; strengthening focus on integrating electric, gas, and delivered fuels EE; leveraging EE capabilities to advance renewables integration and load management efforts; developing a sustainable program and funding model for delivered fuel and moderate income customers; and creating a regulatory and program framework to support strategic electrification, especially electric heating.

Develop and review policies on a range of issues germane to the EERMC's duties...

Evaluate the impacts of past and potential legislation and/or PUC directives...

Provide technical support relevant to state and regional policies...

We see a need for both the strategic and operational level guidance we describe in Work Area 1 and a longer-term, “big-picture” view of policy issues and priorities. Planning for 2020 completed the current three-year plan, and significant technology and market shifts continue to materialize and expand. A key element to help realize these savings will be policy considerations, such as establishing appropriate guidelines to shape strategic electrification (including the potential impact on gas utilities) and increase the availability of financing. At a broader level, continuing to support Rhode Island’s modernization of the grid via the Power Sector Transition initiative will be critical to align planning on EE and demand management. Our team will build on involvement in SIRI and Docket 4600 and continue to provide key expertise on SRP and distribution system issues going forward. Our local team members are poised to support the General Assembly and executive branch in interactions with the many entities involved in Rhode Island energy policy.

Develop work products for relevant PUC dockets...

Testimony and/or appearance before the PUC in technical meetings, evidentiary hearings and at open meetings is an important component of supporting the EERMC and its recommendations. We understand that—unlike whitepapers or internal memos—we must provide a clear and direct statement about analyses and policies rather than a detailed and nuanced consideration of all factors. In 2020, many more of these meetings are anticipated in support of the LCP Standards and targets filing by the EERMC, the three-year plan and the annual plans for EE and SRP to be filed by National Grid.

Represent the priorities of the EERMC in stakeholder forums...

The Optimal Team will advance the EERMC’s priorities with all of the stakeholders engaged with the Council, and will collaborate with OER on strategies to expand efficiency services to income-eligible and delivered fuel customers, as well as other market sectors that have been traditionally underserved. The development of a formal EERMC Priorities List is a positive recommendation to have these issues identified early in the planning process to support C-Team activities representing Council priorities.

Identify innovative approaches and improvements to program delivery...

Research and support planning initiatives on broader energy issues...

More so than in Work Areas 1 and 2, success in the areas of policy and strategy will require collaboration and cooperation with other entities, with both state government (e.g., OER and the Division) and external stakeholders. Innovation in policies and

programs will be an important part of realizing the potential benefits of integrating different energy sector activities and leveraging the capabilities developed by the EE programs to serve a broader range of DERs, including combined heat and power, demand response (DR), and distributed generation (DG).

Document research and recommendations in the most appropriate format...

When the EERMC needs guidance, we will guide them in defining the question it needs answered, answer it efficiently, and communicate the results effectively. By clearly stating expectations, producing interim deliverables, and clearly defining the audience, we have reduced the effort and turn-around time to complete high-quality deliverables.

Provide direct support to OER on renewable integration...

For ongoing projects and new initiatives, the Optimal Team is prepared to continue providing support in this area via analysis, research and engagement with working groups, as needed.

Provide direct support to OER...and relevant specialized expertise to assist OER...

The Optimal Team has demonstrated our readiness to address any issues or needs brought to us by the EERMC. If requested, we will work with the EERMC to define the scope and objectives of any additional work requested.

II. Staffing & Budget

Our management approach to the work will provide the EERMC with a small group of trusted advisors based in our Providence office who develop and maintain close working relationships with Council Members and key stakeholders. Optimal will utilize this strong local team and key subcontractor partners to fully and effectively deliver all elements of the scope of work. Work assignments and roles will remain flexible to assure that the right staff, skillsets and availability are in place on all core tasks, as well as to address evolving issues.

To meet the requirements of the work, we organize our tasks in three primary concentrations:

- Our Program Strategy and Innovation team will provide day-to-day oversight of LCP and system reliability programs and help National Grid identify innovative strategies to position programs for long-term success.
- The Policy and Regulatory team will supply the EERMC and other stakeholders with a sharp, consistent perspective on all energy issues that interface with LCP and the EERMC's charge, while listening carefully to input from all parties.
- The Evaluation, Measurement & Verification (EM&V), Education, and Stakeholder Coordination team will support critical EM&V efforts that validate savings and help to continually improve program delivery, and will also provide Councilor, stakeholder, and public education on the process and value of LCP.

The proposed budget estimate for the three work areas is as follows:

| Task 1: EERMC Oversight | Hours | Total Cost |
|---|--------------|-------------------|
| Enhance EERMC interpretation and understanding of EE and SRP program planning, policy development and implementation, and facilitate EERMC participation in process. Educate EERMC regarding relevant, energy topics. | 368 | \$63,320 |
| Meetings: EERMC; Collaborative; OER and other state agencies engaged in the implementation of LCP initiatives; EE/SRP-related PUC tech sessions and hearings; and any other stakeholder meetings that may be important to the successful advancement of LCP mandates, i.e. PST working group -- plus associated prep, participation and follow-up tasks from mtgs | 384 | \$68,090 |
| Document and/or conduct research/analysis, and create recommendations for stakeholder reps can make decisions based on sound info. Provide policy summaries, analysis, and whitepapers, as needed, to inform, guide, and empower stakeholder reps. | 196 | \$32,120 |
| Participate in the development of EERMC priorities and provide technical inputs, analyses, and tasks necessary to advance the EERMC's priorities in the development, implementation, and evaluation of plans and programs for LCP | 258 | \$49,490 |
| Assume overall responsibility for managing and coordinating the work of any additional consultants hired by the EERMC to support its objectives. | 140 | \$26,300 |
| Assist with oversight of National Grid's investment of ratepayer funds, including by participating in monthly meetings with the company's strategy groups. | 644 | \$114,016 |
| Verify that EE program design and implementation are delivering excellent service and maximizing benefits of EE for all ratepayers. | 58 | \$11,210 |
| Advocate for program design and delivery improvements, including, but not limited to, providing recommendations for increasing the benefits of efficiency to underserved sectors. | 144 | \$27,200 |
| Provide independent assessment of utility data reports and information, including monthly data dashboards, quarterly data, and year-end performance results. Make recommendations for improvements. | 148 | \$20,940 |
| Advocate for excellent data reporting, transparency, and access to data when appropriate | 24 | \$4,600 |
| Apprise the EERMC of developments in other jurisdictions that could improve the quality and delivery of energy efficiency programs and system reliability investments in Rhode Island. | 66 | \$12,390 |
| Monitor, facilitate, and report on the implementation and progress towards the goals of the annual EE Program Plan, including regular meetings with National Grid program managers and other affected stakeholders. | 8 | \$1,560 |
| Work with National Grid to receive more comprehensive and timely exchanges of relevant data as needed by the EERMC and/or OER. | 26 | \$4,990 |
| Work with National Grid and other stakeholders to ensure that all utility-administered EE programs are effectively coordinated and integrated with other state clean energy initiatives | 26 | \$4,990 |
| Sub-Total | 2490 | \$441,216 |
| Task 2: Cyclical Planning & Reporting Activities | Hours | Total Cost |
| Support the development of the required Annual Report on EERMC activities due on April 15 of each year to the General Assembly. | 102 | \$16,530 |
| Represent the EERMC's priorities in the dev of annual/triennial EE & SRP plans. | 318 | \$52,122 |
| Conduct a detailed review and report on the cost-effectiveness of the annual and triennial natural gas and electric efficiency plans for submittal to the PUC. | 348 | \$59,512 |
| Sub-Total | 768 | \$128,164 |

| Task 3: Policy & Strategy | Hours | Total Cost |
|---|--------------|-------------------|
| Develop and review policies related to the EERMC's duties including, triennial and annual EE/SRP development and implementation; EE and SRP standards development; EE savings targets; program budget and financing; c-e; EMV; financing; and PIs | 516 | \$90,280 |
| Evaluate the impacts of past and potential legislation and/or PUC directives on EE and SRP, including legislation or PUC orders related to decoupling, and (SBC) collections and allocations. Educate key stakeholder on such legislation and associated impacts. | 116 | \$21,020 |
| Develop work products for relevant PUC dockets (e.g. annual plans), including direct testimony on behalf of the EERMC upon its request. | 220 | \$38,600 |
| Provide technical support from, and representation of, the EERMC with respect to relevant state and regional policies before entities including, the General Assembly and Executive branch agencies, ISO-New England, RGGI, and FCM. | 48 | \$9,360 |
| Represent priorities of the EERMC in various relevant stakeholder forums | 108 | \$19,660 |
| Identify innovative approaches and improvements to energy efficiency program delivery | 360 | \$63,040 |
| Document research and recommendations in the format most appropriate for the audience and purpose. | 112 | \$16,100 |
| Provide direct support to OER in the form of training, planning, technical analysis, and guidance for new initiatives, and relevant specialized expertise to assist OER with existing programs and pilot programs | 54 | \$9,870 |
| Provide direct support to OER on renewable integration with energy efficiency (e.g. PACE) | 36 | \$6,360 |
| Research and support planning initiatives for the integration and leveraging of broader energy issues, such as strategic electrification and resiliency, with ratepayer funded efforts. | 266 | \$44,390 |
| Provide any add'l work on special projects directed by the EERMC on an as-needed basis. | 60 | \$10,020 |
| Sub-Total | 1896 | \$328,700 |
| CORE WORK AREAS TOTAL | | |
| Core Work Hours | 5154 | |
| Hours per month | 411 | |
| FTE | 2 | |
| Travel Labor (Half Rate) | | \$0 |
| TOTAL | | \$898,000 |

Optional Budget Proposals:

1. Rollover of 2019 funding into early 2020

Based on our estimated December invoice amount, the Optimal team anticipates underspending our 2019 budget by ~\$60,000. In addition to continually adding efficiencies to our work, a significant cause of the underspending occurred in November, and anticipated to continue throughout December, is scheduling complications with National Grid due to the unexpectedly high number of Information Requests on the 2020 EE Plan issued by the Public Utilities Commission after the plan was filed on October 15. The result was significant demand on National Grid EE staff time that led to cancellation or delays on multiple meetings that ideally would've supported a quick start to 2020. These included the cancellation of the Technical Working Group meetings, "deep dive" meetings to begin research and exploration of program enhancements for both residential and C&I sectors as well as EM&V, and other meetings to address issues on 2020 process and planning needs. To support successfully completing these activities that would now be delayed into January and February of 2020, we estimate

~110 hours for a not-to-exceed total of \$20,000. That would still leave an estimated \$40,000 unspent C-Team funding to rollover to the EERMC’s general budget in 2020.

2. Intern support

If the EERMC desired to provide workforce development opportunities for RI-based college students, the C-Team is prepared to support the recruitment, oversight, overhead and administrative support needed to hire and manage the services of an intern(s). The primary responsibility of the intern will be to assist the EERMC, and its C-Team and OER, in support of EERMC objectives and activities.

Key tasks may include the following:

- Supporting best practice energy efficiency research and cost-effective energy efficiency analysis tasks that enhance the development of both the three-year and annual plans
- Assisting in development of the EERMC Annual Report to the General Assembly
- Researching and analyzing energy policy and strategies
- Providing development support in enhancements to data analysis and presentation tools and systems to drive additional insights from RI program oversight data
- Supporting the development and maintenance of a new EERMC website (if developed)
- Assisting in writing and report development
- Other duties as assigned by the EERMC and/or ExComm and OER

With multiple variables including the effort required for recruitment and onboarding, the C-Team suggests a cap of \$15,000 for an undergraduate student OR \$25,000 for a graduate student would provide a reasonable amount to secure part-time intern support for most of 2020.

A summary of the proposed budgets options are included in the table below:

| | |
|--|--|
| Proposed Core budget | \$898,000 |
| Option 1 (2019 partial roll-over of the estimated \$60,000 unspent in 2019) | \$20,000 |
| Option 2 (intern – \$15,000 undergraduate OR \$25,000 graduate) | \$25,000 (or \$15,000 if undergrad) |
| Max Total for core and both options | \$943,000 |