Memo

STATE OF RHODE ISLAND
ENERGY EFFICIENCY & RESOURCE MANAGEMENT COUNCIL

To: Energy Efficiency & Resource Management Council
From: EERMC Consultant Team
CC: Nathan Cleveland / OER
Date: September 14, 2021
Subject: 2022 Energy Efficiency Plan Final Draft Review

CONSULTANT TEAM

I. INTRODUCTION

The final draft of the 2022 Annual Energy Efficiency Plan (the "EE Plan") was distributed by National Grid (the Company) on September 8th. This draft was expected to address the issues and concerns raised by the EERMC and other stakeholders, including the Office of Energy Resources (OER), the Division of Public Utilities & Carriers (the Division), Acadia Center, and Green Energy Consumers Alliance. Comments were provided to the Company based on their Status Report issued on August 12th, which described expected changes to the first EE Plan draft issued on July 15th. The Status Report was presented at the August 19th EERMC meeting and further discussed at the Energy Efficiency Technical Working Group (EE TWG) on August 26th during which stakeholder concerns were emphasized to the Company.

This memo summarizes the EERMC Consultant Team's (C-Team) preliminary findings on the final draft EE Plan. The memo highlights our assessment of the final draft EE Plan's responsiveness to issues raised throughout the process, including how well it addressed the C-Team's EE Plan Review Update Memo[1] and ensuing discussion from the August Council meeting. Other stakeholders also provided comments to the Company, and may augment their comments to date with written or verbal comments to the Council and/or the PUC as the planning process continues.

The remaining sections of this memo describe concerns stemming from the lack of full vetting of all cost-effective savings; documents trends in 2022 planned savings levels between the Council-approved Targets and the final draft EEP Plan; raises concerns regarding responsiveness to EERMC comments on the EE Plan during the development process; and offers concluding comments and a review of EERMC options for the final vote on the EE Plan scheduled for the September 23rd EERMC meeting.

II. CONSIDERATION OF ALL COST-EFFECTIVE SAVINGS IN FINAL DRAFT

As presented to the EERMC in August, significant improvement was expected in the final draft EE Plan in order to more fully align with stakeholder priorities and input provided to the Company, particularly with respect to whether the EE Plan comprehensively, transparently, and effectively considered all available cost-effective savings prior to applying limiting factors of prudence and reliability. This concern was noted to be particularly salient in light of the Company's explicit statements in the first draft EE Plan that the EE Plan was developed 'top down' in order to not exceed a perceived budget constraint of no more than 5% year-over-year growth. This is based on the Company's interpretation of the compliance filing requested by the Rhode Island Public Utility Commission (PUC) as part of the Energy Efficiency Three-Year Plan (3YP) filing, which requested updates to the 3YP's 2022 and 2023 content reflecting a 5% year-over-year

[1] http://rieermc.ri.gov/wp-content/uploads/2021/08/c-team-2022-ee-plan-review-update_2021.08.16.pdf

budget increase. Importantly, 3YP budgets for these years are illustrative in nature, and do not represent a binding constraint on what can be submitted in subsequent annual EE Plan filings.

While some enhancements were made in the final draft EE Plan, the EE Plan did not adequately justify that it appropriately pursues all cost-effective savings in alignment with LCP Standards, and not enough information was provided to allow a third party to make a well-informed determination.

At the highest level, an EE Plan developed within a specified budget may not pursue available savings that could have been achieved with a higher budget[2]. In this context, the EERMC and other stakeholders must arrive at a well-informed view regarding whether the EE Plan is adequately aligned with LCP Standards, including whether all cost-effective savings that are prudent and reliable have been pursued, with the knowledge that a budget constraint may have impacted the Company's proposed levels of program activity and associated savings. To do so, it is critically important to understand what savings were 'left on the table' due to the Company's decision to develop an EE Plan within a specified budget. In other words, it is necessary to understand what tradeoffs were made at the margin by the Company when specific program activity was included, or was not included, in the EE Plan due to this budgetary constraint. Clear, comprehensive information regarding *both the program activity that was included as well as the program activity that could have been included with higher budgets* is needed to enable a well-informed determination regarding this central consideration.

In prior EE Plan development processes, the pursuit of all cost-effective savings was not subject to this concern, as prior EE Plans were not developed under a 'top down' budget. Though the request for this information was made on several occasions, both the first and final draft EE Plans lack sufficient information regarding the program activity that could have been pursued with higher budget levels, and therefore preclude a full assessment of whether the EE Plan adequately satisfies the LCP Standards.

III. SAVINGS TRENDS IN EE PLAN DEVELOPMENT

Figures 1-6 display portfolio and sector-level Electric and Gas savings trends across all iterations of 2022 Planning, including 2022 Energy Efficiency Targets, 2022 Three-Year Planning, and 2022 Annual Planning. Each category is differentiated by color, with the 2022 Targets appearing in blue, 2021-2023 Three-Year Plan values for 2022 in green, and 2022 Annual Plan values in orange. The Council identified in its 2022 EE Plan Priorities that the Company should strive toward the 'High' scenario from the 3YP.

At the portfolio-level, lifetime Electric savings increased 76,622 MWh between the first and second draft of the 2022 Annual Plan, but still fall short of the 3YP 2022 "High" Scenario by 488,941 MWh (Figure 1). Lifetime Electric C&I savings increased by 59,557 MWh from the first to second draft, but the 3YP 2022 "High" Scenario included an additional 473,773 MWh (Figure 2). For the Residential and Income Eligible sectors, 17,065 lifetime MWh from additional savings opportunities were included in the second draft of

[2] For example, the Company has clearly represented to stakeholders that they have identified alternative uses for the budget that is currently allocated for the proposed large CHP project should it not be approved.

the 2022 Annual Plan, leaving a gap of 15,168 MWh between the second draft and 3YP 2022 “High” Scenario (Figure 3).

Lifetime Gas savings increased by 57,026 MMBtu at the portfolio-level between the first and second drafts of the EE Plan, while the 3YP 2022 “High” Scenario included 1,257,328 additional MMBtu (Figure 4). C&I Lifetime Gas savings increased by 133,282 across 2022 Annual Plan drafts, but the 3YP 2022 “High” Scenario still exceeds the second draft by 289,391 MMBtu (Figure 5). For Residential and Income Eligible sectors, lifetime Gas savings decreased by 76,257 from the first to second 2022 Annual Plan draft, and the 3YP 2022 “High” Scenario includes 967,937 lifetime MMBtu from additional savings opportunities (Figure 6).

Figure 1: Planned Achievable Electric Savings - Portfolio (Lifetime MWH, 2022)

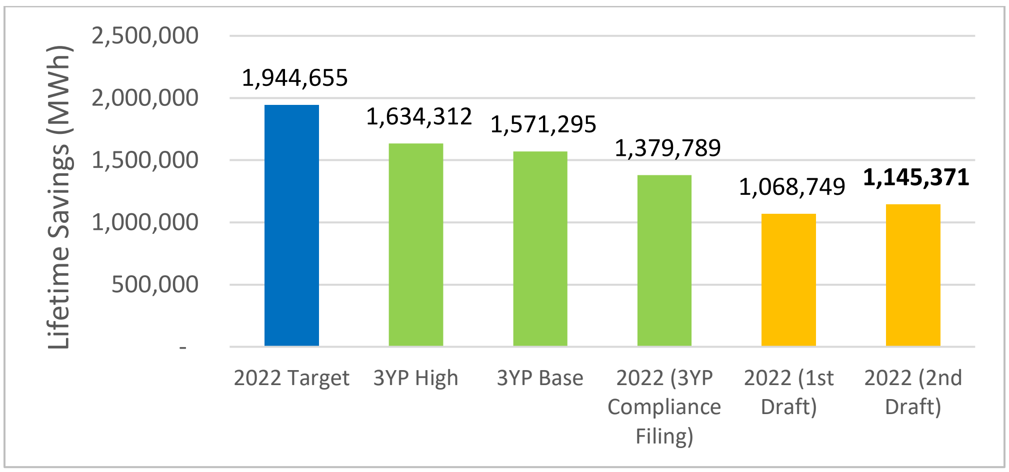


Figure 2: Planned Achievable Electric Savings – C&I (Lifetime MWH, 2022)

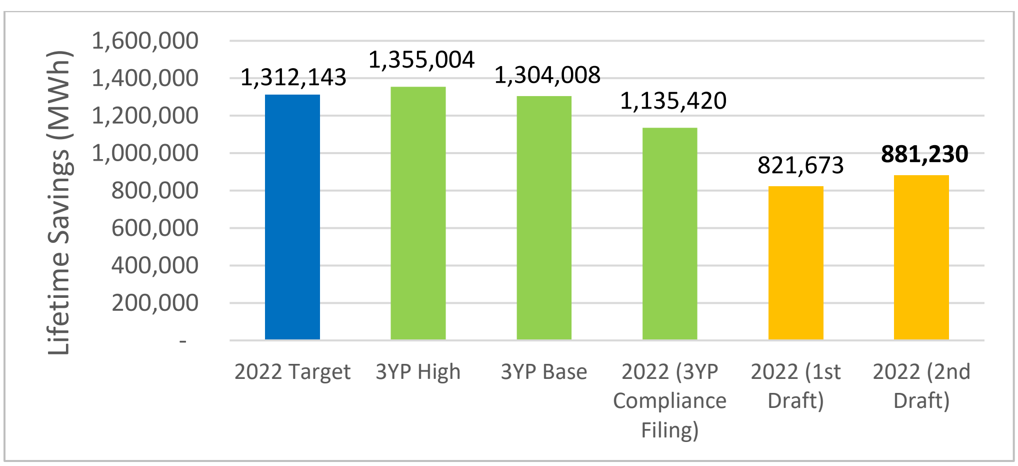


Figure 3: Planned Achievable Electric Savings – Residential and Income eligible (Lifetime MWH, 2022)

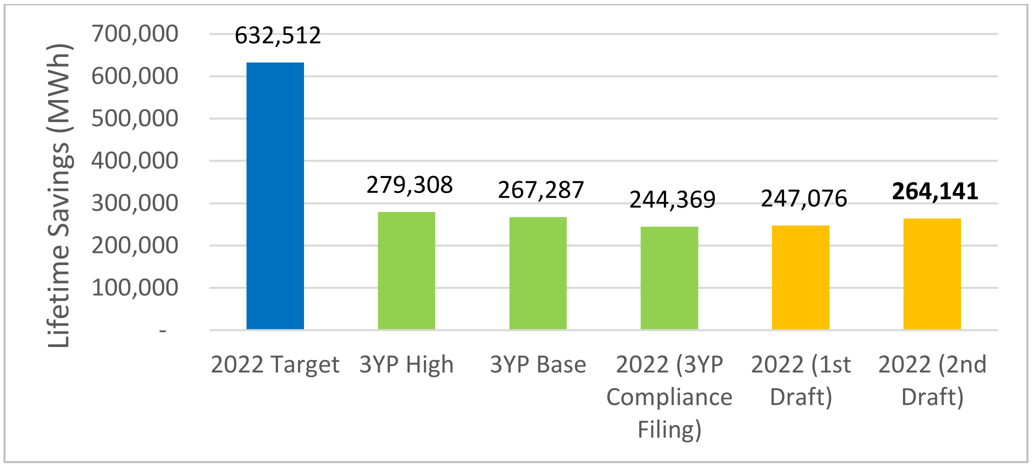


Figure 4: Planned Achievable Gas Savings – Portfolio (Lifetime MMBtu, 2022)

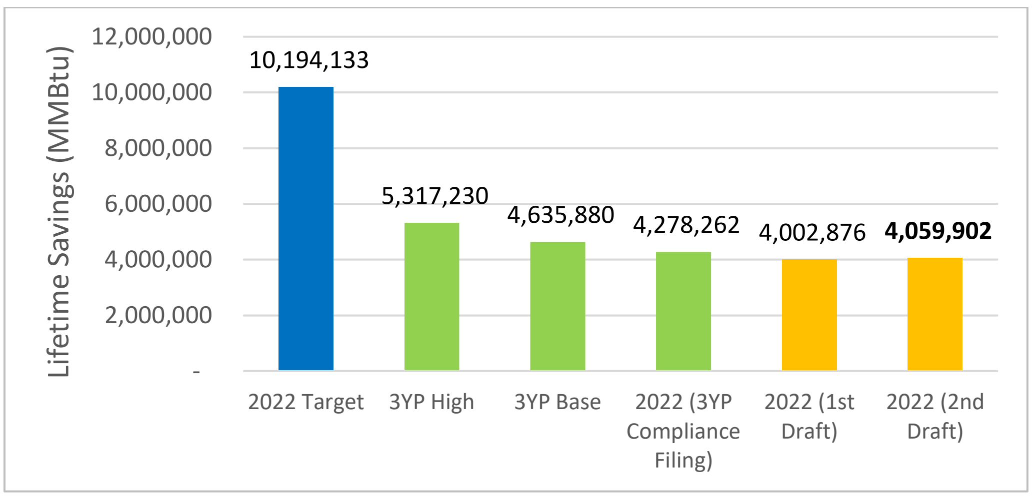


Figure 5: Planned Achievable Gas Savings – C&I (Lifetime MMBtu, 2022)

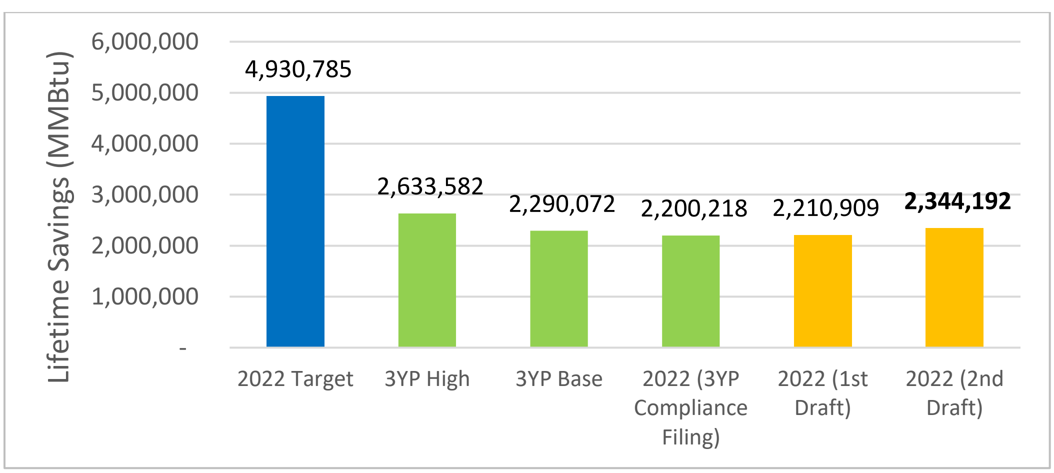
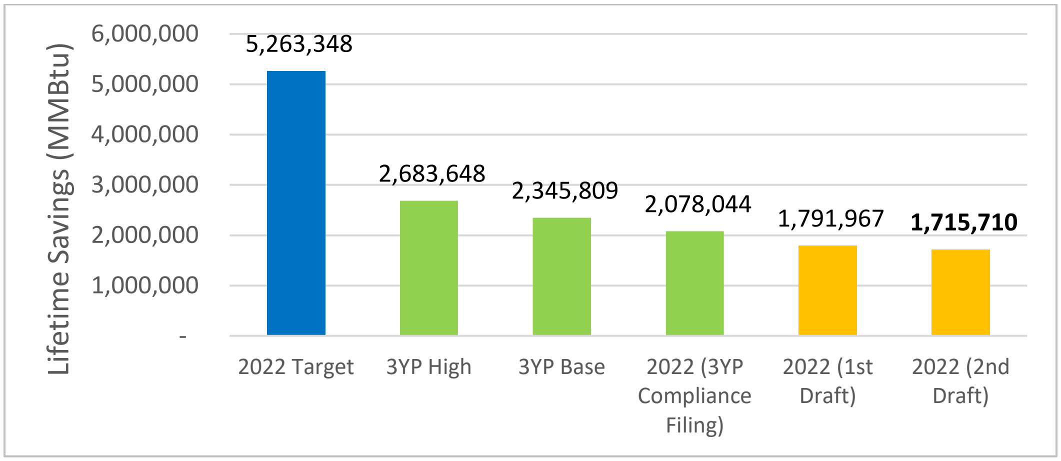


Figure 6: Planned Achievable Gas Savings – Residential and Income eligible (Lifetime MMBtu, 2022)



IV. RESPONSIVENESS TO EERMC COMMENTS ON EE PLAN

The C-Team provided the Company with extensive comments on the first draft of the EE Plan following its release on July 15th. The interim update on the EE Plan that the Company provided at the August 19th Council meeting provided responses to a narrow set of comments that the C-Team provided on the first draft of the EE Plan. As a response to the interim update, the C-Team provided a memo that highlighted key concerns with the interim update and flagged several areas that required significant improvement in the final draft of the EE Plan. The Company provided an additional interim update at the August 26th EE TWG meeting that included a few more responses to the C-Team's comments, but left many areas not fully addressed. Following the EE TWG meeting, the C-Team flagged several remaining key concerns that we expected to be addressed in the final draft of the EE Plan. This section provides a representative sample of several concerns, in addition to the central issue raised in Section II, that have not been fully addressed in the final draft EE Plan[3].

Rate and Bill Impacts Review Opportunity: The rate and bill impact models for the EE Plan were shared for the first time only after feedback on the first draft EE Plan was due, despite being requested as early as the Plan Outline Memorandum feedback process. This limited the ability to effectively vet these models, and has resulted in the identification of several concerns with these models in recent weeks without a clear path to resolution simply due to the late delivery of this critical aspect of the EE Plan.

Concerns with "RI Growers" CHP Project: The "RI Growers" CHP project has many legitimate feasibility questions, presents a significant risk if not approved or if delayed until 2023, and crowds out investments that could be serving a much larger number of Rhode Island commercial and industrial customers. Our specific concerns with this project are as follows:

[3] Note that while these areas of remaining concern may overlap with issues raised by other stakeholders, this section does not seek to provide an exhaustive review of all feedback provided to the Company during the EE Plan development process.

- Project only passes with the inclusion of economic multipliers. This is of particular concern given the project's outsize share of the C&I electric sector incentive spend and lifetime savings (it represents ~25% of planned incentive spending and ~35% of planned lifetime electric savings for C&I sector).
- The project is being used to power horticultural lights and is only expected to operate ~25% of the year. CHP is best suited to 8760 year-round loads.
- The efficiency of the proposed system is just above the minimum threshold for receiving incentives and the customer site does not intend to do any other significant onsite energy efficiency to ensure the system is "right-sized". The customer has expressed an interest in alternative fuels, but the company is not studying or proposing any alternatives to natural gas and has stated they will be unable to support future conversions to biofuels.
- The level of incentive spending on this one project (~$10 million) would be enough to serve an additional 500 C&I customers in RI based on past average projects. Even if this CHP project did not have the significant technical concerns that it does, it should not crowd out investments in other cost-effective energy efficiency measures that would serve a greater number of RI businesses.
- At the August EE TWG meeting, the Company stated that they are developing a contingency plan for the event that this project is not supported by the Division or PUC, however, those plans have not been formalized in the final draft of the EE Plan.

Approaches to Delivering C&I HVAC Savings: The C-Team expressed significant concerns with the Company's overreliance on simple point-of-sale rebates for HVAC savings (as opposed to custom retrofit projects and/or early replacement measures). We also believe that significantly more HVAC savings can be achieved through a more comprehensive approach to retro-commissioning and energy management system (EMS) controls upgrades and optimization. The Company does not propose significant utilization of independent commissioning agents to ensure savings are identified and realized.

Addressing Pre-Weatherization Barriers: Addressing pre-weatherization barriers was identified by the Company in the 3YP as a key obstacle to customer participation in deeper energy retrofits. The C-Team provided several lines of comments, including a recommendation to conduct an assessment to begin to address this core issue more comprehensively. The Company has made some strides in the 2022 Plan, but the commitments made fall short of an effective strategy to overcome this barrier.

Exploration of Alternative Virtual Assessment Models: The C-Team recommended that the Company research alternative virtual approaches, including approaches to conducting assessments and exploration of virtual pre-assessments. The Company did not include any new language committing to research alternative comprehensive approaches to conducting virtual assessments. The Virtual Home Energy Assessment that is being offered in 2022 is a continuation of the offering that was developed on the fly as a response to COVID. There are more comprehensive approaches available, and it is important that the Company explore these. This is important because this program can no longer rely on cheap direct install lighting to drive savings. Many customers don't take advantage of deeper savings measures (weatherization) and it is costly to send in-person auditors to those customers' homes.

Specifics on 3rd Party Support System for CAP Agencies in the Income Eligible Program: The C-Team requested that the Company provide greater detail around enhancements planned for the 3rd party support model that the CAP agencies are able to use. The Company indicated that the model would serve as a resource for CAPs that fall below performance thresholds including quantity of outstanding jobs and length of time of pipeline for customers to be served. They indicated that these metrics would be determined during Q1 of 2022. The C-Team expected that these metrics would be determined in the 2022 Plan itself, and not during implementation of the Plan. There is still time in 2021 to develop those metrics, and set clear expectations with the CAPs at the beginning of the year, rather than waiting to establish these in Q1 of 2022.

Equity Commitments: The recommendations from the Equity Working Group included in the final draft EE Plan were only made available for review in the final draft, precluding opportunity to provide substantive feedback on the Company's approach to implementing, tracking, and reporting on these commitments. Concerns remain regarding whether this effort will drive the needed substantive change and improved performance in low-to-moderate income savings achievements, which have been below EERMC expectations in recent years, especially in the multi-family and renter sectors.

Process for Verifying Eligibility in the Moderate Income Offering: The C-Team requested that the Company provide greater detail on how they would verify eligibility in the newly established moderate income offering. We felt it was important to be as specific as possible here given that the PUC rejected this offering last year because there was not a clear description and plan for implementing the offering. The Company indicated that they would be using a third-party income verification vendor but fell short of describing who the vendor would be or how they would conduct their verification.

Consistent Weatherization Incentives Across All Fuel Types: The Company did respond to the C-Team's comments that weatherization incentive levels should be consistent across all fuel types, rather than having lower levels for delivered fuels customers compared to electric or gas customers. While this is a positive development, it is worth noting that the Company reduced the number of oil-heated homes by 90 homes (5% reduction) between the first draft and the final draft of the EE Plan.

V. CONCLUDING COMMENTS AND EERMC VOTE OPTIONS

Given the concerns described in this memo regarding the process by the Company to fully vet all cost-effective energy efficiency and other Council concerns and priorities, the C-Team can not verify that the proposed EE Plan was developed *"in a manner that is optimally cost-effective, reliable, prudent, and environmentally responsible"* per the LCP Standards and legislation. The EERMC's role and responsibility regarding potential endorsement of the annual plans are described in the LCP Standards:

> "The Council shall vote whether to endorse the Annual EE Plan prior to the prescribed filing date. If the Council does not endorse the Annual EE Plan, the Council shall document its reasons and

submit comments on the Annual EE Plan to the PUC for its consideration in final review of the Annual EE Plan."[4]

In Consultation with the EERMC's legal counsel, it has been determined that there are several potential avenues available to the EERMC with respect to their assessment of the EE Plan:

1. **Endorse the EE Plan**, as has been the case in all previous years. Endorsement may also list Council's concerns that didn't prevent endorsement but warrant mentioning.
2. **Endorse the EE Plan**, but decline to join any Settlement of the Parties. Represents a strong statement of the EERMC's concerns.[5]
3. **Not endorse the EE Plan**, but indicate that if specific condition(s) are met it would be endorsed.
4. **Not endorse the EE Plan**, and provide a list of reasons why it was not endorsed for PUC consideration in its final review of the EE Plan.

[4] http://rieermc.ri.gov/wp-content/uploads/2020/08/5015-lcpstandards-final_8-25-20.pdf p.22

[5] For example, this could be determined on the basis that the EE Plan development process was not sufficiently collaborative to consider the final EE Plan a consensus document. This option could be considered even if Plan is found to be cost-effective and less than the cost of supply, an assessment the EERMC is required to conduct.