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Converting to a Binding 3-Year Energy Efficiency Plan

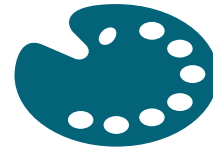
March 23, 2023

Current Annual Plan Structure Constraints



Duplicative

A three-year plan with an annual binding plan can create duplicative work in crafting both the three-year plan and three annual plans



Illustrative

Three-year plan is mostly illustrative as the annual plans are what determine the budgets and savings



Restrictive

While annual budgets are binding, annual planning is restricted to priorities from the three-year plan and does not foster longer term planning and program initiatives



Recommendations

- Replace current planning structure of **an illustrative three-year plan** with binding annual plans with **a triennial planning process**
 - Require **binding three-year plans** that set binding triennial budgets and savings targets
 - Enable a shift of focus from **planning** to **implementation**
- Provide for **mid-term oversight** with **annual energy efficiency surcharge filings** and requirements for **mid-term modifications** for significant increases and decreases in sectoral budgets or the addition of a new program
- Keep the **same reporting requirements** with quarterly and annual reports
- **Revise** the Least Cost Procurement standards to accommodate these changes
- The statutory requirements are under legal review and any proposal may be modified or withdrawn based on the findings of that legal review. The purpose of this presentation is to discuss the policy/practical aspects of the proposal as opposed to the legal aspects.

Summary of Proposed Changes

Category	Proposed Change
Budgets	Budgets would be set for the entire three-year period with non-binding annual budget targets. RIE would have the option to reallocate funds as needed across years or programs.
Evaluation	The three-year plan will feature an evaluation plan for the term that will identify evaluation priorities and an approximate schedule of planned studies.
Savings	Binding savings and benefits targets would be set for the entire three-year period with annual, non-binding interim goals to serve as guidance.
Performance Incentive	The performance incentive will be based on performance over the entire three-year period and would be tied to the binding savings targets for the entire term. RIE would be eligible to annual payouts based on the non-binding annual goals that would be trued up at the end of the three-year term.
Reporting	Reporting and reviewing requirements of quarterly and annual year-end reports that are filed with the PUC and submitted to the EERMC will be unchanged. However, the third and final year-end report would also include any explanation for significant (>10%) deviations from savings goals.
Mid-Term Changes	Annual energy efficiency surcharge filings and mid-term modifications if triggers are met (see next slide).
Oversight	The PUC, DPUC, and EERMC will have oversight over three-year plans and mid-term modifications. EERMC will continue to have regular monthly meetings to provide oversight on program implementation.

Mid-term Updates



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- Annual Energy Efficiency Surcharge Updates
 - Annual surcharge reconciliation filings would be filed in April following a completed program year
 - Update the SBC for the current program year based on actual program spending for the prior year
- Mid-term Modifications
 - Level 1 triggers, which would require EERMC review and notification only:
 - The termination of an existing Energy Efficiency Program
 - A modification to an Energy Efficiency Program that results in a decrease of 20% or more in lifetime benefits over the three-year term
 - Level 2 triggers, which would require the Company to submit a formal filing to the PUC:
 - Any modification to the three-year plan that results in an increase or decrease to the sectoral budget for a fuel of 10% or more
 - The addition of an Energy Efficiency program

3-Year Binding Plan Trade-Offs

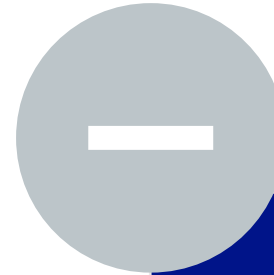


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PROS

- Shifted focus from **planning to implementation**
- Increased focus on **longer-term planning** rather than short-term changes
- More **market certainty** of offerings available from year-to-year for customers and vendors
- Improvement in **administrative efficiencies** and reduced administrative costs
- The structure can be designed to **ensure continued regulatory oversight**
- Many local leading states use 3-year EE plans: CT, MA, ME, VT



CONS

- **Less flexibility in the short-term** to fit with a long-term goal
- **Stickiness of assumptions** for the three years