



STATE OF RHODE ISLAND
**ENERGY EFFICIENCY &
RESOURCE MANAGEMENT COUNCIL**

CONSULTANT TEAM

2024-2026 EE Plans Regulatory Proceedings Update

Presented By: EERMC C-Team

Date: December 21, 2023





Outline

Regulatory Schedule

Information Requests

Regulatory Hearings

Open Meetings & Rulings

Council Discussion



REGULATORY SCHEDULE





Regulatory Schedule

- Ongoing Information Requests
- 11/17: Rhode Island Energy Reply Testimony/Comments Due
- 12/12: Plan Hearing
- 12/13: Plan Hearing, continued
- 12/14: Plan Hearing, continued
- 12/15: EERMC to provide estimate of remaining expenses no later than this date
- 12/19 and 12/21: Public Utility Commission (PUC) Open Meetings



SUMMARY OF INFORMATION REQUESTS





Information Requests to RI Energy

Leading up to the Hearings, the Rhode Island Public Utilities Commission (PUC) and the Division of Public Utilities and Carriers (the Division) **issued 238 questions to Rhode Island Energy.**

Key Themes of Information Requests to RI Energy

- Cost of Supply Methodology
- Benefit-Cost Analysis
- Pre-Weatherization Barriers
- Federal Funding Coordination
- Carbon Accounting
- Heating Electrification
- Equity Metrics
- Gas Incentives

The PUC and Division made additional record requests during the Hearings.

Information Request: formal requests for information relevant to the subject of a given regulatory proceeding

Public Utilities Commission: <https://ripuc.ri.gov/general-information/commission>

Division of Public Utilities and Carriers: <https://ripuc.ri.gov/general-information/division>



Information Requests to EERMC and OER

Leading up to the Hearings, the PUC issued 10 questions to the Council and 3 questions to the Office of Energy Resources (OER).

Questions to the Council focused on gaining insights into the Council's budget and EERMC Consultant Team (C-Team) costs related to:

- Energy Efficiency Plan Review and Analysis
- Future of Gas Docket
- Least-Cost Procurement (LCP) Standards Updates
- Non-Energy Efficiency Related Work
- The Mike Guerard Energy Fellow EERMC Intern
- Energy Efficiency Program Administrator Procurement
- Energy Efficiency and Climate Awareness Campaign

Questions to OER related to:

- Timeline for OER's receipt of federal (IRA) funds
- Plans for disbursing and administering federal funds
- Coordination with RI Energy

Office of Energy Resources: <https://energy.ri.gov/resources>

Future of Gas Docket: <https://ripuc.ri.gov/Docket-22-01-NG>

LCP Standards Updates: <https://ripuc.ri.gov/Docket-23-07-EE>

Inflation Reduction Act: federal law intended to mitigate inflation through efforts including investment in clean energy



REGULATORY HEARINGS





Themes of Division Cross-Examination

The Division posed questions on several topics including:

- Tracking and Reporting on Equity Metrics
- Performance Incentive Mechanism
- Community-Based Outreach Demonstration
- Electric-Resistance Heating to Heat Pumps
- Pre-Weatherization Barriers
- HEAT Loans

Detailed summary
in Appendix



Themes of PUC Cross-Examination

The PUC identified multiple areas of interest for its cross-examination of the Company:

- Cost of Supply Methodology
- Benefit-Cost Analysis
- Performance Incentive Mechanism
- Carbon Accounting
- Federal Funding Coordination

Detailed summary
in Appendix



EERMC Consultant Testimony

The Consultant Team provided direct testimony on five topics:

- Weatherization in the Residential Sector
- Cost-Effectiveness Analysis
- Cost of Supply Methodology
- Non-Energy Impacts
- IRA Funding

Detailed summary
in Appendix



OPEN MEETINGS & RULINGS





Rulings Impacting 2024 EE Plan

Impacting the Company

Reduce the Company's performance incentive amount

Reject proposal for continuation of 100% Moderate Income weatherization incentives in EnergyWise program (no change to program budget)

Impacting the Council

Set the Council's budget at \$991,000

– ~\$88k lower than the proposed budget of \$1,078,800

Ruling on the Plan

Approval of 2024 Plan budget, savings goals, and related System Benefit Charge (SBC) rates for electric and gas as modified by the PUC



Rulings Impacting Future EE Plans

Remove low-income discount from the cost of supply and benefit cost calculations to avoid double-counting

Include an additional cost of supply analysis that is more granular than the portfolio level and provide justification for programs that have costs that exceed the cost of supply under the new analysis

- Program level
- RI specific costs and benefits (i.e. excluding out-of-state costs and benefits)
- Excludes delivered fuel avoided costs



Other Rulings and Comments

Rulings

Requirement for RI Energy to provide information to the PUC within 90 days regarding how RI Energy will allocate ratepayer funding to programs and measures when federal funding is made available

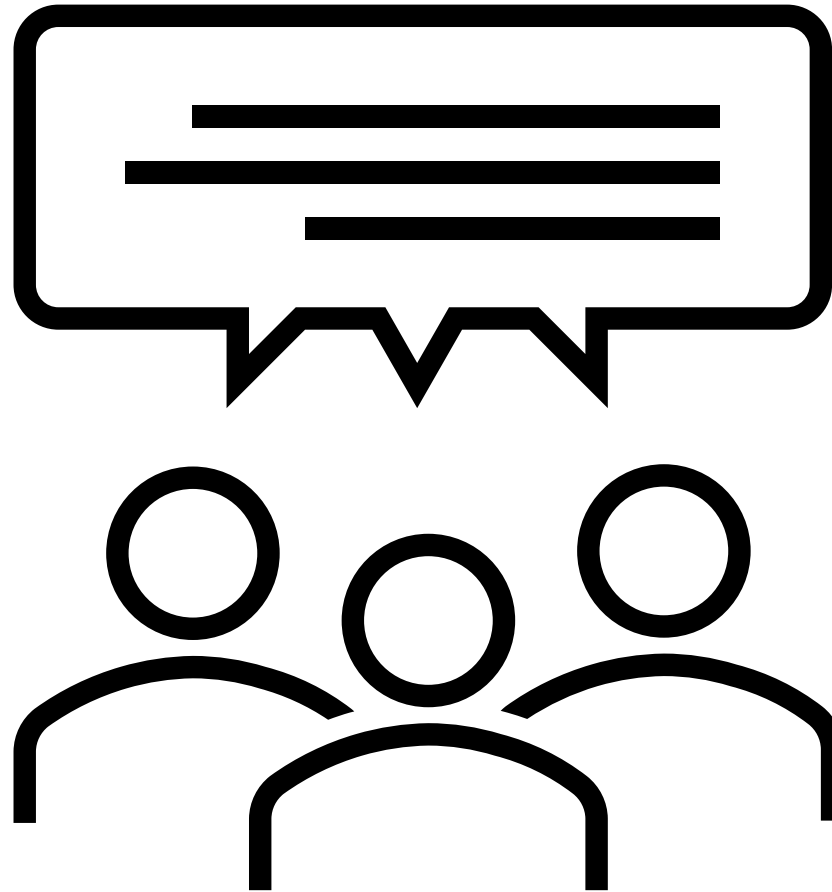
Other Comments

PUC deferring action on the 2024-2026 EE Plan until after the Company files response to ruling noted above

Need for more clarity on how avoided emissions and the value of those are determined



Council Member Discussion





APPENDIX





Division Cross-Examination – Equity Metrics & Pre-Weatherization Barriers

The Division closely reviewed stakeholder recommendations regarding equity metrics and potential application of an equity-based service-quality adjustment to the Performance Incentive Mechanism.

Discussion involved Information Requests and resulting follow-ups on the prevalence of, and incentives to remediate, pre-weatherization barriers.

- How was the current \$250 incentive for pre-weatherization barriers determined and how can HEAT Loans and other offerings help overcome these barriers?
- **Could the Company use non-energy efficiency program dollars to develop a formal program to address these barriers (e.g., Weatherization Deferral Repair Program in Virginia)?**

Spending for converting Electric-Resistance Heating to Heat Pumps is no longer disaggregated but integrated into other program-level spending, despite the PUC's interest in implementation of the Plan to target these conversions.

Performance Incentive Mechanism: PUC-approved mechanism by which the administrator of energy-efficiency programs may earn financial incentives for meeting or exceeding planned goals.

Pre-Weatherization Barrier: technical barriers that prevent weatherization upgrades, which improve the thermal envelope of buildings to reduce costs for space heating and cooling.



PUC Cross-Examination – Performance Incentives & Delivered Fuels

Both quantitative and qualitative questions on the Performance Incentive Mechanism

- What assumptions led to a ~50% increase in planned electric performance incentive in 2024 compared to 2023?
- **Does the current Performance Incentive Mechanism include the right components (e.g., intrastate vs. interstate benefits) and appropriately weigh each benefit component?**
- Do changes in performance incentives impact the Company's management of programs?

The PUC examined the appropriateness of including delivered fuel (oil and propane) impacts in the Cost of Supply and benefit-cost analysis.

- Delivered fuel efficiency does not deliver system-wide benefits to the distribution system, which is a point of sensitivity given anticipated increases to electric rates.
- **The PUC identified energy efficiency as the primary tool to mitigate bill increases and encouraged the Company to strongly consider distribution system benefits in program planning.**



PUC Cross-Examination – Carbon Accounting & Moderate-Income Outreach

The PUC approved the 2023 Annual Plan, which used the **Marginal Abatement Cost of Carbon in program planning.**

- Anticipate further discussion on carbon accounting methodology used in future energy efficiency plans.
- The Company was asked to describe how it applied and adjusted results from the Avoided Energy Supply Component (AESC) Study to accurately quantify carbon costs.

In order to reach more moderate-income customers, the Company conducted targeted outreach in five equity communities.

- The PUC explored the rationale behind **targeting moderate-income customers in specific areas instead of around the entire state.**



PUC Cross-Examination – Federal Funding Coordination

The PUC issued data requests to both the Company and OER regarding the **availability and deployment of federal funds for energy efficiency.**

- The Company will develop a detailed plan describing pathways to access federal funds, resources for contractor education, and financial implications for measures covered by OER and RI Energy programs.
- OER and the Company will need to propose an appropriate methodology for tracking and attributing savings as they co-deliver their respective programs.

Informal guidance suggests that **federally-funded programs should “supplement” and not “supplant” energy efficiency programs.**

- The Company anticipated that additional funds may fill gaps in its existing programs to serve customers more comprehensively.
- Alternatively, additional funds might reduce ratepayer collections if they are used to “supplant” some aspects of RI Energy programs.



EERMC Testimony – Weatherization & Cost of Supply Methodology

Weatherization in the Residential Sector

- Weatherization, regardless of current heating fuel, is critical to least-cost decarbonization solutions.
- **Continuing to support weatherization for all customers aligns with customer interests, stakeholder input, and the Act on Climate.**

Cost of Supply Methodology

- It may be appropriate to revisit the methodology for quantifying the cost of supply, which is the basis against which the cost of EE is compared per the Least-Cost Procurement (LCP) Standards.
- We suggest that all stakeholders should conduct a **comprehensive review of the cost of supply methodology in 2024 for potential application to 2025 Annual Plan development.**



EERMC Testimony – Cost-Effectiveness & Non-Energy Impacts

Cost-Effectiveness Analysis

- **Cost-effectiveness analysis should primarily consider the full impacts (costs and benefits) of EE programs**, instead of just the impacts that accrue within the state. This is consistent with industry best practice. Fully understand the reasons the Commission may want to view both to inform decisions.

Non-Energy Impacts (NEIs)

- The utilization of NEIs in RI's benefit-cost analysis framework is consistent with standard practice and has a solid foundation in evaluation, measurement, and verification (EM&V).
- **There is a rigorous process for quantifying, updating, and assigning NEIs, which includes review of studies from other jurisdictions.**

Non-Energy Impacts: costs and benefits from the implementation of different energy efficiency measures and behaviors that produce quantifiable impacts on areas beyond utility system impacts (e.g., reduced operating costs, improved safety, comfort)



EERMC Testimony – IRA Funding

Savings Attribution

Shared work to date as part of NEEP attribution working group, including openness to crediting utilities for integrated offerings (not needed if programs are complementary, not overlapping)

IRA funds should supplement, not supplant, existing efforts

Summarized understanding that this principle could be upheld through **filling gaps** in current EE program offerings, or simply **reaching more customers** with the additional funds