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R.I.G.L. § 42-140.1-5 requires that the EERMC “Submit to the joint committee on energy an annual report... regarding the activities of the Council, its assessment of energy issues, the status of system reliability, energy efficiency and conservation procurement, and its recommendations regarding any improvements which might be necessary or desirable.” The EERMC submits the following recommendations that will support enhancement of Rhode Island’s position as a national leader in energy efficiency and resource conservation.

As in previous years, we present both *Policy Recommendations* in support of legislative suggestions, and *Strategic Principles*, which provide indication of issues and initiatives that the EERMC will actively pursue and support.

Progress on Previous Policy Recommendations

Strong progress that has been made on the following, previous EERMC policy recommendations:

1. Supporting the continuation of Rhode Island’s landmark Comprehensive Energy Conservation, Efficiency, and Affordability Act of 2006 that established Least Cost Procurement as the state’s overarching resource acquisition strategy for electricity and natural gas. This act was set to expire in 2018, but due to commendable action taken by the General Assembly, Least Cost Procurement has been extended through 2024. This ensures that all Rhode Islanders can continue benefitting from investments in all cost-effective energy efficiency. To date, these benefits have exceeded \$2 billion since inception of the Act.
2. Expanding access to well-designed financing options that supplement and tie-in to successful rebate and incentive programs to allow more energy efficiency to be captured. The establishment of the Rhode Island Infrastructure Bank through the leadership of the Office of the Governor and the Office of the General Treasurer as well as the General Assembly’s passage of supporting legislation successfully delivers an effective means to this end to benefit all Rhode Islanders. Financing options such as the Efficient Buildings Fund and Commercial Property Assessed Clean Energy (C-PACE) are now available for many Rhode Island municipal and commercial facilities.
3. Establishing a “Rhode Island Sustainability Hub” to empower customers to save energy and optimize the use of the electric distribution system. In 2016, National Grid selected a space in downtown Providence to create the Rhode Island Energy Innovation Hub (The Hub). The Hub is tentatively scheduled to open in summer of 2017 and will serve as an educational facility with interactive exhibits that highlight the successes of today’s energy solutions while empowering customers to create the sustainable energy future of tomorrow.

In that spirit of these successes, the EERMC offers the following recommendations.

2017 Policy Recommendations

In 2016, the EERMC, working with National Grid, OER, the Division of Public Utilities and Carriers (DPUC) and other parties, filed savings targets for the 2018-2020 Three-Year Planning cycle, along with proposed revisions to the guidelines that create the “Rules” (the “Standards” in RI regulatory terminology) for how Least Cost Procurement should be conducted. Those “Targets and Standards”

have been the subject of hearings in the first quarter of 2017, and when approved by the PUC will guide the planning effort for meeting the 2018-20 savings goals. Work to draft a Three-Year Plan detailing how energy efficiency programs will meet or exceed the proposed savings targets is currently underway. The EERMC strongly recommends that the executive branch and the legislature continue to support Rhode Island's Least Cost Procurement law for both electric and gas service by passing legislation that facilitates and enhances its implementation, and by resisting efforts to set arbitrary limits on the amount of cost-effective efficiency that should be secured. As detailed elsewhere in this Report, Rhode Island is now a national leader in energy efficiency savings. Our energy situation and economy are significantly improved by the deep level of savings gained over the past decade. The focus of continued work should be on how to achieve further savings for our businesses, homeowners, institutions, and communities.

- 1. We should build on the successful creation of the Rhode Island Infrastructure Bank and facilitate new financing options for all sectors of the economy.*
- 2. We need to address the funding and support for efficiency investment in unregulated fuels for consumers and businesses.*
- 3. We should watch carefully what happens with federal appliance efficiency standards, and look for opportunities to secure savings by adopting and piggybacking on efficiency standards in other jurisdictions (such as California) if the federal standards efforts languish.*
- 4. Rhode Island should constantly work to ensure that all customers and segments of the market have the opportunity to benefit from efficiency savings. There should be a concerted effort to include those who are economically vulnerable, and those who are currently above poverty guidelines, but need significant assistance to make efficiency investments.*

Strategic Principles

Rhode Island has been an active leader in discussions that are taking place across the country about the opportunities and need for change in our energy system. In our 2015 Annual Report we discussed the System Integration Rhode Island (SIRI) effort that pulled key leaders and organizations around the state together to envision how Rhode Island could meet its affordability, climate, reliability and resiliency, and economic policy objectives.

Docket #4600, opened by the Public Utilities Commission (PUC) has now completed a collaboratively developed report⁴. Its work represents a significant first step forward in considering how a new, more comprehensive decision-making process to meet Rhode Island's energy needs may emerge. The work of the #4600 parties was informed by the SIRI process, by Rhode Island's Renewable Energy Growth law and by emerging technology and information approaches that may facilitate new ways of meeting our energy needs.

Governor Gina M. Raimondo has taken bold leadership in moving this discussion forward. She has asked the Rhode Island Public Utilities Commission, the Office of Energy Resources and the Division of Public Utilities and Carriers to design a new regulatory framework for Rhode Island's electric system.

The kickoff event introducing this effort was held April 6, 2017 and suggests that four parallel sets of investigation and discussion be initiated. They include:

1) The Utility Business Model

- What functions should the utility perform in the coming decades?
- How should the utility be compensated for each of the functions it performs?
- What is the appropriate role of performance metrics in utility compensation and which metrics should drive utility compensation?
- *In this discussion, the EERMC believes it will be important to build on the efforts such as revenue decoupling that reward the utility for providing energy service according to the principles of Least Cost Procurement, rather than primarily through investment in and earned return on new capital investments. The experience of designing utility performance incentives for LCP should inform this effort.*

2) Distribution System Planning

- What outcomes should distribution system planning promote?
- What aspects of utility operations should distribution system planning address?
- How accessible should distribution system planning be to third parties?
- *The EERMC believes this discussion should build on the work already under way in Rhode Island's System Reliability Planning (SRP) effort that has developed growing ability by National Grid to meet many new distribution, reliability and an increasing portion of supply requirements through Least Cost strategies. Integrating this learning process with the Grid distribution system planning efforts will be an important way to bring LCP to distribution system investment.*

3) Grid Connectivity Functionality

- What are the grid-facing and customer-facing functionalities necessary to realize benefits for Rhode Island customers?
- What scenarios or deployment strategies provide the most benefit for Rhode Islanders now and into the future?
- *In this context the EERMC believes that much more active engagement of customers in providing energy services through new information and sophisticated control and behavior-related strategies can provide significant benefit. The issues of how customers, utilities, and potentially other parties can have more information about customer use in real time is a critical part of this discussion.*

4) Strategic Electrification of Transportation and Heating

- What activities are important for the utility to consider and prioritize in developing a plan to encourage growth of beneficial electric vehicles and heating?
- Are there characteristics unique to the Rhode Island transportation and heating market that should be considered in answering the questions above?
- *Least Cost Procurement means making the best choice for meeting energy requirements from a perspective that includes customer, system, environmental and economic effects. While Least Cost Procurement has so far focused primarily on increasing the efficiency of energy use, it is now becoming clear that strategic switching to innovative, beneficial electric uses can provide substantial benefits. The EERMC should be actively involved in this discussion to support a thoughtful evolution of this new approach as an extension of LCP.*