

# 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 8<sup>th</sup>. On September 16<sup>th</sup>, the Energy Efficiency and Resource Management Council (EERMC) held a special meeting to discuss the plan in detail, including any Council member concerns, including those presented by the EERMC Consultant team (C-Team).

This memo summarizes the central themes of that meeting. Section II highlights a central concern regarding the critical information gaps in the EE Plan, which impede the Council’s full assessment thereof, and covers four specific areas that were discussed at the Council meeting and fall under this overarching concern. Section III reviews and adds detail to the four vote options that were discussed regarding the Council’s legislated requirement to either endorse or not endorse the EE Plan, including a summary of the discussion regarding these options from the Council meeting on September 16<sup>th</sup>.

## II. INFORMATION GAPS IN THE EE PLAN

The central concern discussed by the Council related to critical information gaps in the final draft EE Plan. Underpinning this concern is the long-standing Council expectation for a fully transparent documentation of, and justification for, any gaps between the Council-approved Targets and the goals contained in the EE Plan. These expectations were articulated by the Council in a submittal to the RI Public Utilities Commission<sup>1</sup> on March 23, 2020, with a key condition excerpted below:

... [It is anticipated] that there will be gaps between the potential study-informed Targets, which capture all cost-effective efficiency savings, and Three-Year and Annual Plan Goals, which represent the portion of Targets that will be proposed as Plan savings goals with associated budgets. The process for understanding the size of this difference includes a full review and vetting of all barriers that preclude reaching the full Maximum Achievable savings. This is a collaboration between National Grid, the EERMC and its Consultant Team, the Office of Energy Resources, and other stakeholders, and takes the form of a well-documented, transparent process involving full stakeholder engagement and input. At the end of this process, National Grid’s Annual Plans will be able to clearly detail the various reasons that Plan goals are below targets and justify the magnitude of the gap.

The Council discussed four specific areas where these expectations were not met at the September 16<sup>th</sup> meeting. Though this was not represented as a comprehensive list of concerns, these four areas

<sup>1</sup> [http://www.ripuc.ri.gov/eventsactions/docket/5023-EERMC-Targets-Yrs2021-2032Memo%20+%20Slides 2020\\_03\\_23.pdf](http://www.ripuc.ri.gov/eventsactions/docket/5023-EERMC-Targets-Yrs2021-2032Memo%20+%20Slides%202020_03_23.pdf) p. 6

effectively illustrate that the EE Plan does not fully meet the expectations outlined above and were the main topics of discussion at the September 16 council meeting.

**Consider All Cost-Effective Savings:** The Council voiced significant concerns with the Company's decision to develop the EE Plan based on a perceived budget cap, as explicitly represented in the EE Plan:

*In developing the proposed level of investment in this plan, the Company considered the PUC's commentary and rulings at the December 22, 2020 and August 11, 2021 open meetings during which the PUC indicated support for budget increases of up to 5 percent for years 2022 and 2023 in the Three-Year Plan. The Company has steered based on these rulings as an indicator of prudence in development of the subsequent 2022 Annual Plan coupled with broader impacts of the plan as a whole.<sup>2</sup>*

This planning approach omits the central step of identifying all cost-effective savings that could be pursued in 2022, and clearly documenting and justifying the reasons that a subset of those savings are not being pursued. Instead, the Company's approach specifies only those savings opportunities they do propose to pursue. Without full, up-to-date information on the incremental savings opportunities that could have been captured with incremental spending, the Council and other stakeholders are deprived of the opportunity to directly assess whether the currently proposed budget level appropriately balances the costs and benefits of energy efficiency in Rhode Island, and separately, the opportunity to assess whether the specific mix of program activity that is proposed is appropriately balanced. This latter concern is particularly salient since the Company is directly representing that other savings are available but has not shared the specific nature of those savings opportunities. *Put another way, the Council is interested to understand what the savings, costs, benefits and mix of measures would have been but for the Company's decision to develop the EE Plan presuming a budget cap.*

The 3YP represents an illustrative set of goals and budgets that was developed many months ago, and does not reflect changes in economic conditions, program implementation lessons learned over the past year, updated evaluation, measurement and verification results and their impacts on portfolio composition, or other factors that reasonably may have shifted during the intervening time. Despite the fact that conditions change, reflected by the fact that the EE Plan development process is an annual requirement, the Company has chosen not to undertake, or share, the reasonable analysis of providing up-to-date, detailed information on the additional savings opportunities that could have been pursued in the absence of the perceived budget constraint.

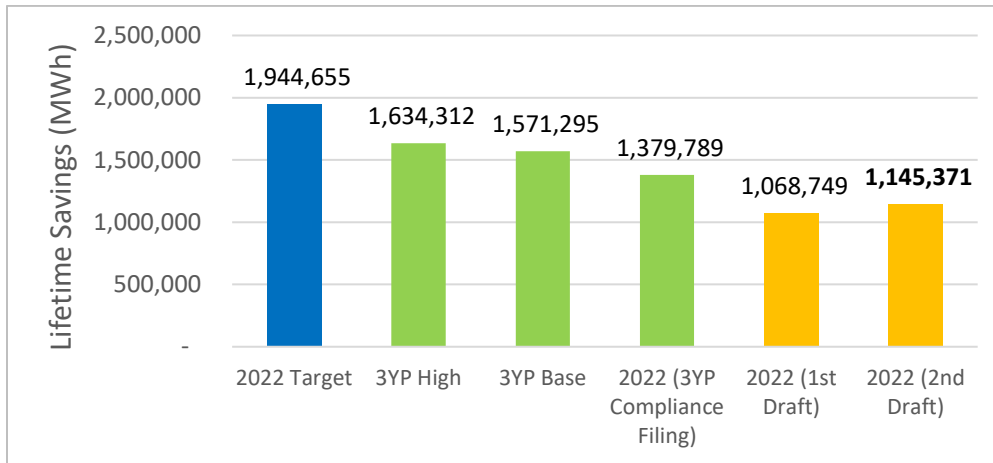
Additionally, the Council has made direct use of the high-level savings numbers from the 3YP to ground its request for further information. Specifically, Figures 1 and 2 below show the general decline in total savings between the Targets, the 3YP, and the Annual Plan for both the electric and gas portfolios, and

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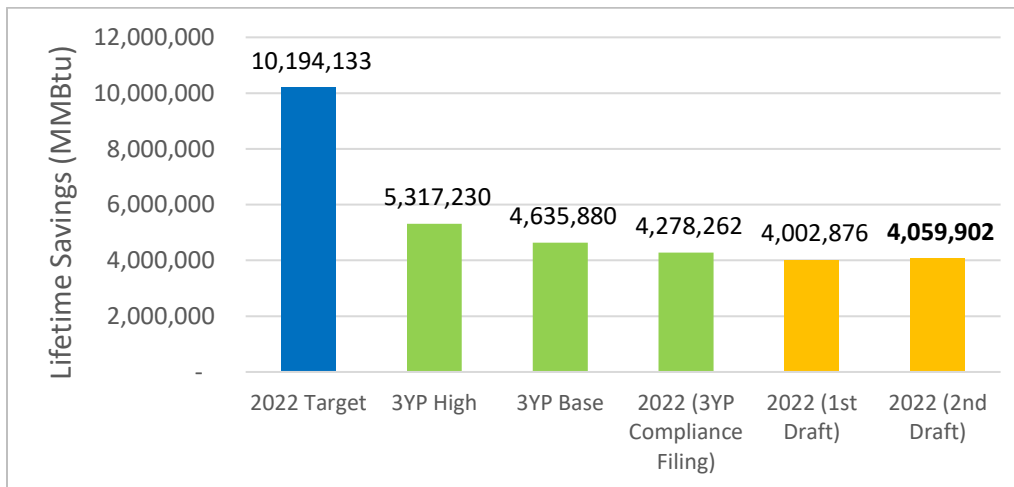
<sup>2</sup> 2022 Annual Energy Efficiency Plan Main Text, Page 63-64

were discussed at the September 16<sup>th</sup> Council meeting as concerning trends that the Council would like to better understand to help inform their decision regarding whether to support the EE Plan as proposed.

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



**Figure 2: Planned Achievable Gas Savings – Portfolio (Lifetime MMBtu, 2022)**



**Rate and Bill Impact Review Opportunities:** Energy efficiency programs’ impacts on customer rates and bills is an important factor to consider when assessing the EE Plan. Despite the clear request that these models be shared for review alongside the first draft of the EE Plan, the rate and bill impact models were not shared until just before the final draft EE Plan was made available for review. Unfortunately, the lack of responsiveness to this clear request, and the late delivery of this aspect of the EE Plan, has resulted in several computational concerns being raised after the final draft EE Plan was issued, which at the time that this memo was issued remain unresolved. Though the Company has agreed to meet to discuss these concerns, the process and timing for sharing these models and resolving possible issues has prevented the Council from viewing confirmed results from these analyses in their assessment of the EE Plan to date.

**Equity Commitments:** The Council has repeatedly expressed concerns to the Company regarding recent poor performance in the income-eligible and multifamily sectors' participation levels and savings achievement under current efficiency programs. In part motivated by these concerns, the Council identified equity commitments as a priority in the 2022 EE Plan development process. Upon review of the final draft EE Plan, the Council has expressed multiple concerns regarding equity. First, as with the rate and bill impact models described above, the Company was unable to provide significant detail on their commitments related to improving the equity of EE in Rhode Island in the first draft EE Plan, instead opting to wait to articulate these commitments in the final draft EE Plan, at which point the Council and other stakeholders do not have an opportunity to suggest improvements, additions, or clarifications.

Despite this limitation, the Council did request specific reporting commitments as part of the expanded equity commitments anticipated in the final draft EE Plan, which were not included in the final draft. In addition, the set of commitments provided, while an improvement over past practices, have not been adequately justified as right-sized commitments that have the potential to meaningfully improve the track record of poor performance in income eligible and multifamily housing that have been repeated raised by the Council in recent program years.

**Combined Heat and Power:** The Company has proposed a large combined heat and power (CHP) project as a significant element of the electric C&I efficiency portfolio for 2022 in the final draft EE Plan. While the Council has not taken a position either for or against this project, further information regarding the project that has been requested was unfortunately not included in the final draft EE Plan. In particular, concerns related to the low benefit-cost ratio of the project (which falls below the critical threshold of 1 without the inclusion of economic development multipliers), and the large share of electric C&I incentive spending (approximately 25%) have been raised. In the context of a Plan that was developed under a perceived budget cap, it is clearly important to understand why this specific project was proposed rather than allocating these incentive dollars elsewhere, especially considering that it is likely that a much larger number of individual customers would be supported by this spending if not allocated to this capital-intensive project. It is notable that clarity regarding the activity that could be supported in lieu of the CHP project has not been made available to the Council in light of the fact that the Company has represented that they have a contingency plan for this spending should the CHP project not receive regulatory approval. In short, the Company seems to have this information in hand, but elected not to include it in the EE Plan or make it available to the Council for their consideration.

### **III. 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. In addition to this general finding, another key consideration for the EERMC is stakeholder input and contributions to the process. Any further input from stakeholders scheduled for public comment at the September 23 meeting should be important factors in the council deliberations.

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."<sup>3</sup>

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.<sup>4</sup>
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.

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<sup>3</sup> [http://rieermc.ri.gov/wp-content/uploads/2020/08/5015-lcpstandards-final\\_8-25-20.pdf](http://rieermc.ri.gov/wp-content/uploads/2020/08/5015-lcpstandards-final_8-25-20.pdf) p.22

<sup>4</sup> 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.