2024 - 2026 Energy Efficiency Three-Year Plan

Dear EERMC Councilmembers and Energy Efficiency Technical Working Group Members,

Rhode Island Energy (the Company) is happy to present this updated draft of the 2024-2026 Energy Efficiency Three-Year Plan (this Draft), including preliminary savings goals, budgets, and tables. The Company requests that reviewers provide any written input on the contents of this Draft by July 21, 2023, with an expectation that those comments will inform the subsequent drafts of the 2024-2026 Energy Efficiency Three-Year Plan.

When reviewing this Draft, please note the following: This Draft should not be considered as a complete list of topics that will be addressed in the final version of the 2024-2026 Energy Efficiency Three-Year Plan, nor is this Draft binding. Subject to further discussions with stakeholders, analysis during the planning process, and the outcome of proposed changes to the Least Cost Procurement (LCP) Standards, content included here may be modified. The Company may refine and consolidate the text and structure to make a more readable and accessible final document.

In addition to providing Plan goals and budgets, Rhode Island Energy has also added or augmented the following Plan sections:

- 1.2 The Planning Process
- 2. Least Cost Procurement Laws and Standards
- 3.3 Multiyear Strategies
- 3.2.5 Ensure Workforce Capacity to Serve Customers
- 3.2.6 2024-2026 Efficiency Plan Program Updates
- 3.4 Coordination with Other Programs and Policies
- 3.5 Evaluation Plans
- 5.1 Proposed Performance Incentive

We look forward to working together to build and deliver on a three-year energy efficiency plan that will continue to keep Rhode Island at the forefront of energy efficiency and deliver Rhode Island consumers innovative, cost-effective energy services.

Table 1. Three-Year Plan (3YP) Timeline for Stakeholder Involvement

Date	Milestone
April 6	3YP outline memo shared with EERMC and EE TWG
April 20	Present 3 Year Plan to EERMC
April 27	3YP outline memo stakeholder comment period ends; Present 3YP outline memo to EE TWG
June 1	Draft 3YP narrative shared with stakeholders
June 29	Draft 3YP narrative stakeholder comment period ends.
June 30	Draft 3YP numbers and updated 3YP narrative shared with stakeholders
July 21	Draft 3YP numbers (stakeholder comment period ends)
September 7	Second/Final Draft of 3YP due to stakeholders

Table of Contents

Pre-Filed Testimony

The Company will pre-file testimony with the Plan that addresses the cost-effectiveness of the Plan, prudency, reliability, environmental responsibility, and the cost of additional supply compared to the Plan.

Executive Summary

The Three-Year Plan guides annual program planning to secure energy and cost savings for Rhode Island consumers. Energy efficiency supports safe and reliable utility service while at the same time helping to reduce our customer's carbon footprints. The programs outlined in this plan contribute positively to customer satisfaction, a key priority for both Rhode Island Energy and its parent corporation, PPL. As this Three-Year Plan is submitted concurrently with the 2024 Annual Plan, the Company will use the Three-Year Plan as a roadmap. The Company will consider relevant developments between the approval of this Three-Year Plan and the submission of the 2025 and 2026 Annual Plans, when developing the detailed Annual Energy Efficiency Program Plans and associated binding savings goals and budgets for those years.

This Three-Year Plan presents an overview of ongoing efficiency programs and strategies, as well as planned program enhancements and innovations. The Plan details the cost-effectiveness of programs and strategies, explains how it achieves prudency and reliability, and offers a funding plan with illustrative budgets, funding sources, and savings goals. The Three-Year Plan proposes a strategic set of programs and strategies that are both flexible and targeted, geared toward five key approaches across the Company's Commercial and Industrial (C&I), Residential, and Income Eligible Service (IES) sectors:

- **Reach more customers: Deliver optimized, tailored programs.**
- **Help customers find the right measures: Implement a comprehensive approach to the next generation of efficiency measures.**
- **Enable customers to invest in efficiency: Enhance financing options and customer awareness of complementary funding sources.**
- **Serve customers equitably: Design programs with a conscious effort to serve low- and moderate-income; gender, racially and ethnically diverse; and non-native English-speaking customers.**
- **Ensure workforce capacity to serve customers.**

The Company continues to seek new opportunities to drive deeper savings and transform additional markets. Many of the strategies in this Plan build upon existing customer relationships to incentivize comprehensive measures that accrue greater savings over their lifetime. The Company must also go deeper and broader to secure the next unit of efficiency by encouraging continuous, multi-year engagement that increases opportunities for comprehensive savings through installation of multiple efficiency measures, including new technologies.

1. Introduction

1.1 Plan Summary

Rhode Island Energy (Rhode Island Energy or the Company) submits this 2024-26 Three-Year Energy Efficiency and Conservation Procurement Plan (Three-Year Plan or Plan), alongside the 2024 Annual Energy Efficiency and Conservation Procurement Plan (Annual Plan), in fulfillment of the Comprehensive Energy Conservation, Efficiency and Affordability Act of 2006.

This 2024-2026 Three-Year Plan is filed in combination with the Annual Plan. This Three-Year Plan outlines the Company's overall programmatic focus and strategies, including illustrative and provisional budgets and savings goals for the three years of implementation[1]. It lays out a vision for Rhode Island Energy's continued transformation of the energy efficiency sector in Rhode Island, including key themes and areas of focus for 2024-2026. It will guide annual energy efficiency and conservation plans and provide the focus and strategies over the three years of program implementation to deliver energy and cost savings for Rhode Island consumers and operational benefits for Rhode Island's electric and gas systems. The Annual Plan utilizes that vision to detail the plan for 2024, formalizing budgets and savings goals associated with time tested programming, while outlining program enhancements and innovations.

The Company intends for the three-year plan to satisfy the statutory requirements for Least Cost Procurement (LCP) and will be consistent with the concurrently filed 2024 Annual Energy Efficiency Procurement Plan (Annual Plan). The overarching goal of both plans is to enable Rhode Island energy consumers to meet their energy needs through cost-effective, reliable, prudent, and environmentally responsible energy efficiency.

Efficiency programming enables the Company to maintain system reliability and contributes to statewide goals for decarbonizing the economy. Energy efficiency generates a host of non-energy environmental and health benefits for customers and society. The Three-Year Plan proposes illustrative and provisional energy efficiency procurement budgets and savings goals that will help guide annual energy efficiency and conservation plans and provides the strategies for the three years of program implementation that will help Rhode Island Energy consumers meet a portion of their energy needs through energy efficiency.

As this Three-Year Plan is submitted concurrently the 2024 Annual Plan, the Company will use the Three-Year Plan as a roadmap, while also considering developments between the approval of this Three-Year Plan and the submission of the 2025 and 2026 Annual Plans, in developing the more detailed Annual Energy Efficiency Program Plans and associated binding savings goals and budgets for those years.

[1] As a reminder, this initial draft narrative does not include any numbers. Those will be provided by July 30, 2023.

1.2 The Planning Process

This Three-Year Plan was developed with entities that have historically joined the Company in providing guidance and feedback. These entities make up the Energy Efficiency Technical Working Group (EE TWG) and include the Rhode Island Division of Public Utilities and Carriers (Division or DPUC), Acadia Center, the Rhode Island Office of Energy Resources (OER), Green Energy Consumer's Alliance, the Energy Efficiency and Resource Management Council (EERMC), the City of Providence, the George Wiley Center, the Center for Justice, and the Rhode Island Infrastructure Bank. The Company hosts the EE TWG monthly as a forum for in-depth discussion of energy efficiency topics and engages the EE TWG throughout the planning process to leverage their expertise and seek their feedback. The influx of federal funding allocated to RI by the federal Inflation Reduction Act (IRA) necessitates that the Company continue to work closely with other stakeholders, especially OER, to right size incentive levels and design programs that complement other available incentives throughout the upcoming three-year period.

Throughout the Three-Year Plan development process, Company staff collaborated with the EERMC consultant team and OER to identify measures and strategies that inform this Three-Year Plan. The Company appreciates the effort made by both the EERMC and their consulting team to include Company feedback in the development of their priorities. The company considered EERMC, OER, and other stakeholder priorities in developing this plan.

In addition to EE TWG technical experts, the Company solicits feedback from vendors and customers to inform energy efficiency planning and implementation. This includes listening forums, surveys, results of Evaluation, Measurement, and Verification studies, and EERMC public meetings and comment periods. The Company coordinates with internal policy and system planning resources to ensure energy efficiency programs support operational effectiveness and further statewide goals.

The Company hosted three listening sessions with customers in June 2023. A session for Commercial and Industrial customers was held on June 20th, one for Income Eligible Customers on June 22nd, and one for Residential Customers on June 27th. The Company solicited participants through outreach to EERMC and EETWG members, including, for example, OER and the RI Center for Justice as well through communication with Community Action Agencies, Chambers of Commerce, and other local networks.

Each session began with an overview of the Company's energy efficiency programs in Rhode Island. Following that, participants joined smaller break-out groups where they could provide candid feedback on their experience, if any, with the Company's efficiency programs and offer suggestions on how to best increase awareness of the programs. Following the break-out sessions, a representative from Rhode Island

Energy presented an overview of the Plan, including proposed changes and enhancements. Participants offered their thoughts on the Plan and ideas for the company to consider during the planning cycle[2].

This Three-Year Plan is informed by the Rhode Island Energy Efficiency Market Potential Study Refresh (MPS Refresh) commissioned by the EERMC and completed by Dunsky Energy Consulting in early 2023. The EERMC managed the study, with input from Rhode Island Energy and other stakeholders. The results of this study were used by the EERMC to recommend energy savings Targets for the three-year period.

To further inform subsequent annual plans, specifically 2025 and 2026, the Company will participate in the Executive Climate Change Coordinating Council (EC4) stakeholder sessions to understand policy priorities and actions so the Company can account for those actions in program planning and design. By accounting for these policy priorities and actions, we will avoid duplication of efforts, right size program spending, maximize program impacts and ensure plan agreement with the development of the anticipated 2025 Climate Strategy.

The Company participates in several dockets and processes that have the potential to impact energy efficiency planning and strategy. In 2022, Rhode Island Energy filed its Advanced Metering Functionality (AMF) Business Case and its Grid Modernization Plan, and the Public Utilities Commission opened its Future of Gas docket. The Company also revitalized the System Reliability Procurement (SRP) Technical Working Group, an external stakeholder group that advises Rhode Island Energy on matters related to system reliability procurement. Additional detail about Rhode Island Energy's activities in 2022 related to system reliability procurement, including assessment of non-wires solutions and advancements in non-pipes solution program development, can be found in Rhode Island Energy's *2022 System Reliability Procurement Year-End Report* (filed with the Public Utilities Commission on June 1, 2023). The Company staff responsible for energy efficiency planning regularly communicates with colleagues engaged in these efforts to understand potential interactions and plan accordingly.

1.3 How to Read This Plan

For ease of review, this Plan has been organized to align with the Least Cost Procurement (LCP) Standards. There are three overarching sections: LCP Standards, Priorities and Programs, Goals, Budget, and Funding Plan; and Analysis of Total Rhode Island Energy Efficiency. The **LCP Standards** section explains how the Plan complies with the requirements for cost-effectiveness, reliability, prudency, environmentally responsible, and comparison to alternative cost of supply requirements, as set forth in the LCP Standards. The **Priorities and Programs** section provides insight into strategic considerations, high-level program descriptions and the Company's approach to implementing the principles of program design outlined in the LCP Standards. This section also includes a discussion of program coordination with other energy programs. **The Goals, Budget, and Funding Plan** section details these elements and discusses the performance incentive plan and performance metrics. **Analysis of Total Rhode Island Energy Efficiency,** a new component of the Three-year plan per the revised Standards adopted in Docket 23-07-EE, contains an analysis of total

2 Feedback from these sessions will be compiled and included as an attachment in subsequent plan drafts.

energy likely to be saved in Rhode Island through energy efficiency over the three years, and the portion of those total energy savings that will be delivered by the Company's EE programs.

There are four attachments to this Three-Year Plan which provide additional detail on specific Plan elements:

- Attachment 1: Energy Efficiency Funding
- Attachment 2: Program Level Benefit Cost Summary
- Attachment 3: Program List by Sector
- Attachment 4: Definitions

1.4 Timeline

As provided for under the LCP Standards, the Company is opting to combine the filing of the 2024-2026 Three-Year Plan with the first year (2024) of the Annual Plans. The Company submitted the combined filing to the EERMC seeking their endorsement by formal vote on September XX, 2023.

As specified in the Standards, the Company will file Annual Plans for 2025 and 2026 with the PUC on October 1, 2024, and October 1, 2025, respectively. It will seek support from the EERMC for each of those plans prior to filing. Rhode Island Energy will continue to work with the EERMC and the TWG to meet these timelines.

2. Least-Cost Procurement Law and Standards

This section describes the Company's assessment of the Plan's compliance with Least Cost Procurement Law and the LCP Standards as revised in Docket 23-07-EE.[3]

In general, the Company's interpretation of the Standards is as it was presented in the 2023 Energy Efficiency Plan in Docket 22-33-EE, Section 7, modified for the recent revisions. The interpretations are presented in Section 5 of the 2024 Energy Efficiency Plan which is being filed simultaneously with this Three-year Plan.

Demonstration of consistency with the Standards is also included in Section 5 of the 2024 Energy Efficiency Plan. Compliance during the first year of the Three-year Plan is indicative of compliance over the full term of the Three-year Plan.

[3] NOTE TO EXTERNAL REVIEWERS: Written in anticipation of approval of new LCP standards as proposed by the PUC in April 2023.

In the following subsections, we discuss any key changes in the LCP Standards and how said changes impact the Company's approach to development of the Plan. We also discuss if, for any Standard, the consistency with the Standard is expected to change over the Three-year term.

2.1 Cost-Effectiveness

The RI Test compares the present value of the total lifetime benefits derived from efficiency savings to the total costs of acquiring those savings (i.e., program and customers' costs). According to the Standards, "any program with a quantified benefit-cost ratio greater than 1.0 (i.e., where quantified benefits are greater than quantified costs), should be considered cost-effective. Consistent with the PUC's guidance issued in Docket No. 4600, qualitative benefits and costs may be considered in determining cost-effectiveness. The portfolio must be cost-effective and programs must be cost-effective."[4]

In Docket 23-07-EE, changes to the Standards required the following:

- An additional view of cost-effectiveness that, "for categories with value or cost that is shared between Rhode Island Energy and other jurisdictions (both within the state and region), presents only those benefits and costs that will be allocated to Rhode Island Energy." In considering the nature of "other jurisdictions," the Company interpreted this to refer to states other than Rhode Island, and that "Rhode Island Energy" therefore refers, in this case, to Rhode Island. Using this interpretation, the Company identified certain categories of benefits that flow outside of Rhode Island. These include a portion of demand reduction induced price effects (DRIPE) and pool transmission facility (PTF) capacity values. Attachment 2b[5] presents the requested additional view that shows that programs are still cost effective absent these benefits.
- The "RI Test shall include the costs of CO2 mitigation as they are imposed and are projected to be imposed by the Regional Greenhouse Gas Initiative, Rhode Island Renewable Energy Standard and Rhode Island Act on Climate." In consultation with the OER, EERMC, and Division, a value and approach for CO2 mitigation was developed which is used in all cost-effectiveness analyses in this Plan.

The Company's Three-year Plan is consistent with these requirements and interpretations as demonstrated in Attachment 2 and will be subsequently demonstrated in the Annual Plan for 2024. The Company does not expect significant variance in compliance between 2024 and subsequent years of the Three-year term.

2.2 Reliability

The Standards for reliability create an expectation that the Company will be able to deliver the programs described herein and that the savings realized from program delivery are accurately estimated and

[4] RI PUC Docket 5015, LCP Standards, Section 3.2N
[5] To be provided in subsequent versions of this Plan, subject to decision among parties about what benefits flow out of Rhode Island.

measured. In addition, as applicable, programs should be scalable and be tailored to meet specific system needs.

No changes were made to the Standards for reliability in the revisions in Docket 23-07-EE.

The Company's Three-year Plan is consistent with this interpretation as will be subsequently demonstrated in the Annual Plan for 2024. The Company does not expect significant variance in compliance between 2024 and subsequent years of the Three-year term.

2.3 Prudency

The Company has considered, and continues to consider, several key components in the analysis of prudency. These components can be summarized as considerations about the proposed investments on the following:

- Support for the purposes of Least Cost Procurement
- Synergy savings through alternatives that meet multiple needs
- Management of risks to ratepayers and the distribution Company
- Effective use of funding sources
- Equitable in the allocation of costs, benefits, and services
- Rate and bill impacts
- Continuity of implementation efforts

No changes were made to the Standards for prudency in the revisions in Docket 23-07-EE.

The Company's Three-year Plan is consistent with this interpretation as will be subsequently demonstrated in the Annual Pan for 2024. The Company does not expect significant variance in compliance between 2024 and subsequent years of the Three-year term.

2.4 Environmentally Responsible

Environmental responsibility includes compliance of the energy efficiency plan with state policies, particularly pollution reduction. It further requires proper valuation of environmental costs and benefits in the plan.

Modifications to the Standards in Docket 23-07-EE specify that demonstration of environmental responsibility include an assessment of compliance with state climate policies, and proper valuation of climate costs and benefits, in addition to environmental costs and benefits. The Company's interpretation of this addition is that, by distinguishing between environmental policies and values and climate policy and values, the Commission intends for the Company to assess the climate impacts of its programs, specifically as they relate to the Act on Climate targets.

The proposed revised LCP Standards require "the distribution company shall assess how investment complies with State environmental and climate policies and shall properly value environmental and climate costs and benefits". For the purposes of compliance with this section of the Standards, the Company will assess how its 2024-2026 Energy Efficiency Three-Year Plan complies – or otherwise advances – the 2021 Act on Climate, which sets statewide, economy-wide greenhouse gas emissions reduction mandates. The 2021 Act on Climate only contemplates the role of the State, not Rhode Island Energy; therefore, there is no standard against which to assess the extent to which the proposed investments comply with the 2021 Act on Climate. However, the proposed investments reduce both electric and gas consumption. On the electric side, prior to meeting the 100% Renewable Energy Standard in 2033, any electric savings will directly support the State in meeting its 2030 greenhouse gas emissions reduction mandate. On the gas side, all gas savings will directly support the State in meeting its 2030 greenhouse gas emissions reduction mandate. Indeed, the State's *2022 Update* to the *2016 Greenhouse Gas Emissions Reduction Plan* calls out both electric and gas energy efficiency as a priority short-term action to get Rhode Island on the path to meet the 2021 Act on Climate's 2030 mandate. To properly value the environmental and climate costs and benefits associated with the proposed investment in energy efficiency, the Company will use both marginal abatement cost and social cost of carbon, as appropriate, to monetize both embedded and non-embedded value of greenhouse gas emissions reduction.

The Company's Three-year Plan is consistent with this interpretation as demonstrated in Attachment 2 and as will be subsequently demonstrated the Annual Plan for 2024. The Company does not expect significant variance in compliance between 2024 and subsequent years of the Three-year term.

2.5 Cost of Annual Plan Compared to the Cost of Energy Supply

In accordance with the LCP Standards, the Company assesses the cost of incremental energy supply and the cost of energy efficiency using all applicable costs enumerated in the Rhode Island Benefit Cost Framework (Framework) approved by the PUC in Docket 4600-A and the Rhode Island Test as described in Attachment 4 RI Benefit Cost Test. This method is substantially the same as that used in the 2023 Plan.

Like the Standard for cost-effectiveness, in Docket 23-07-EE, changes to the Standards required an additional analysis of the cost of supply comparison that, "for categories with value or cost that is shared between Rhode Island Energy and other jurisdictions (both within the state and region), presents only those benefits and costs that will be allocated to Rhode Island Energy." In considering the nature of "other jurisdictions," the Company interpreted this to refer to states other than Rhode Island, and that "Rhode Island Energy" therefore refers, in this case, to Rhode Island. Using this interpretation, the Company identified certain categories of benefits that flow outside of Rhode Island. These include a portion of demand reduction induced price effects (DRIPE) and pool transmission facility (PTF) capacity values.

The Company's Three-year Plan is consistent with this interpretation as will be subsequently demonstrated in the 2024 Annual Plan. The Company does not expect significant variance in compliance between 2024 and subsequent years of the Three-year term.

3. Priorities and Programs

3.1 Strategic Overview of Programs and Priorities

Two overarching themes run throughout the design of the Company's energy efficiency programs for this next Three-Year Plan:

1. Customers' needs to be at the center of all our efforts.

2. Programs need to serve customers equitably.

In developing this Three-Year Plan, the Company explored where the pockets of potential efficiency savings reside and how to access them. Utilizing the market research at the Company's disposal, the Residential Nonparticipant Market Barriers study, as an example, the Company will close the awareness gap around programs and dedicate appropriate resources to get more customers in the door. Once engaged, customers need to be presented with measures and program approaches that create value for them. Over the next three years the Company will cast a wide net for new products and program approaches that are relevant to Rhode Island. On the Residential side, this will include an emphasis on electric resistance heating conversions as well as pushing zero net energy projects in the residential new construction market. On the Commercial & Industrial (C&I) side, program offerings will continue to diversify, not only with new measures, but with approaches to strategic energy management through retro-commissioning, remote monitoring, and building energy data analysis.

The Company recognizes that providing solutions to customers includes facilitating project financing and leveraging other programs that fund efficiency work. On-bill repayment has been a successful tool; however, it is only one of many mechanisms to support project implementation. The Company has, and will continue to, work closely with the OER to coordinate their High-Efficiency Heat Pump Program and the influx of new federal funding they will administer via the Inflation Reduction Act (IRA).

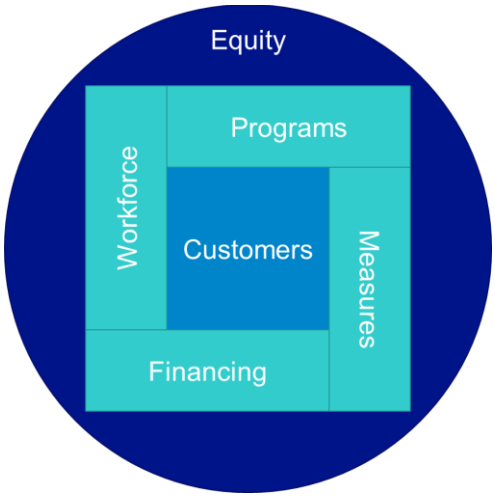
Key to program success will be an adequate supply of skilled people to identify and implement projects. The Company will coordinate with the state on these efforts, as we recognize that workforce development requires a holistic, collaborative approach. In terms of the Three-Year Plan, the company will target increased capacity to support zero net energy projects, building operator certification, codes and standards compliance training, and developing the weatherization workforce.

As mentioned, all programs will be considered through a lens of equity. In this Three-Year Plan, the Company strives to create a portfolio of programs that are designed to provide benefits equitably across all demographics. Income Eligible Services will accelerate electric resistance to heat pump conversions for qualifying customers and continue to tackle pre-weatherization barriers. During the 2024-2026 term, the

commercial Main Streets Initiative will continue to prioritize Environmental Justice focus areas.[6] The Company will also continue actively participating in the EWG and other state and local equity initiatives.

Exhibit 1 below presents a visual representation of how the Company structured priorities for the 2024-2026 Energy Efficiency Three-Year Plan. All programs center on the customer and are viewed through a lens of equity.

Exhibit 1: Visualization of Three-Year Plan Strategy



3.2 Priorities for Three Year Plan

(The sections below indicate the priorities as identified by Rhode Island Energy strategy teams at this stage of planning. These priorities may be adjusted during the planning process.)

To achieve its objectives, the Company must confront and overcome several challenges to its energy efficiency programs, both known and emerging. Economic uncertainty, inflation, and higher interest rates impact utility customers' financial calculus, and perhaps their willingness, to implement energy conservation initiatives. The decline in claimable savings associated with high efficiency lighting demonstrates how programs can transform a market and drive the Company in search of new customers and novel opportunities for cost-effective energy savings. The welcome influx of federal support for efficiency may increase the demands that must be met by the current workforce and supply chain. The Company also

[6] The Rhode Island Department of Environmental Management defines an Environmental Justice Focus Area" as a census tract that meets one or more of the following criteria: (1) annual median household income is not more than sixty-five percent (65%) of the statewide annual median household income, (2) minority population is equal to or greater than forty percent (40%) of the population, (3) twenty-five percent (25%) or more of the households lack English language proficiency, or (4) minorities comprise twenty-five percent (25%) or more of the population and the annual median household income of the municipality in which the proposed area does not exceed one hundred fifty percent (150%) of the statewide annual median household income.

acknowledges that the future of gas efficiency programs is a subject of serious consideration for this upcoming planning cycle considering the state's decarbonization targets. Though unlikely to heavily impact the 2024 annual plan, the Public Utility Commission (Docket 22-01-NG Investigation into the Future of the Regulated Gas Distribution Business in Rhode Island in Light of the Act on Climate) and its subsequent rulings could impact the latter years of this Plan. Following this docket, the Company expects to have better visibility into the PUC's preferred decarbonization pathways and how those will impact natural gas incentives. The Company is open to discussions with stakeholders during this planning process to discuss how gas incentives could start to be adjusted during this three-year period.

The Company recognizes that in each challenge exists inherent opportunity and seeks to innovate to enhance and expand energy efficiency support provided to customers. To do this, the Company plans to focus on five strategies aimed at increasing customer participation and enhancing the Company's ability to deliver valuable long-term energy savings:

1. Reach more customers: Deliver optimized, tailored programs.
2. Help customers find the right measures: Implement a comprehensive approach to the next generation of efficiency measures.
3. Enable customers to invest in efficiency: Enhance financing options and customer awareness of complementary funding sources.
4. Serve customers equitably: Design programs with a conscious effort to serve low- and moderate-income; gender, racially and ethnically diverse; and non-native English-speaking customers.
5. Ensure workforce capacity to serve customers.

3.2.1 Reach More Customers: Deliver Optimized, Tailored Programs

Strategic Philosophy

Program constraints, supply chain issues, contractor availability, and other market forces often throw a kink in the progression from customer acquisition to project completion. While these forces impact all customers and programs, the extent of the force exerted by each factor can vary widely between customer segments. A "one-size-fits-all" approach results in "one-size-fits-some" programs. On the other hand, it is cost-prohibitive to tailor programs to each individual customer. Therefore, the Company's strategy will be to identify customer segments that represent significant, yet relatively untapped savings potential and design program support targeted to these segments.

Cross-Cutting Tactics

The Company will continue to invest resources in collecting more detailed market information to improve outreach to customers. This market research will identify customer segments that represent significant opportunities for expanded program support and participation and will inform the Company's tactics for targeting these customers. To serve these customers, the Company will add more training for internal and external sales and technical staff to secure a better understanding of customer requirements, allowing staff and vendors to effectively provide solutions that drive value in the areas important to specific customer groups. By expanding the vendor pool and streamlining technical review, the Company can continue to improve on delivering timely service to customers while contributing to improved customer satisfaction.

The Company knows that barriers such as lack of understanding/education, difficulty of participating in complicated programs, and lack of access to capital must be addressed at some level, and the Company will seek to design programs which address specific market failures and barriers faced by different customer segments.

Residential & Income Eligible Tactics

Rhode Island Energy will be focusing efforts that began in 2023 with expanded outreach to five target communities with the goal of increasing customer participation in the towns of Central Falls, East Providence, Pawtucket, Providence, and Woonsocket. As the tools are developed to better tailor marketing to targeted subsets within these communities, the Company will look to align with Justice40 Initiative communities so customers living within these communities receive incremental benefits from Federal, State, and private initiatives that coordinate and coalesce to make a significant impact. The Company looks to partner with Community Based Organizations in reaching customers that historically have not participated in the residential programs.

Commercial & Industrial Tactics

The Company recognizes that new ways of reaching C&I customers, from those facing economic pressures to those with aggressive carbon reduction strategies, may be necessary. To that end, the Company has expanded its eligibility requirements for the Small Business program from customers who consume less than 1.0 million kWh annually, to customers who consume less than 1.5 million kWh annually. The Company will also look to deploy a data-driven approach to increasing customer participation in the commercial and industrial sectors. This approach will include analyzing customer consumption data (kilowatt-hours, peak load, and therms) and past energy efficiency participation to better target customers who have historically not participated at the same rate and pace as their C&I peers. This analysis is likely to provide valuable insights into energy efficiency opportunities, while potentially providing insight into barriers and rationales for non-participances. Lastly, the Company will look to expand the reach of its Strategic Energy Management Planning (SEMP) Initiative to support the increasing number of customers with climate and sustainability goals.

3.2.2 Help customers find the right measures: Implement a comprehensive approach to the next generation of efficiency measures.

Strategic Philosophy

Energy efficiency has evolved far beyond the low-hanging fruit of high efficiency lighting. To continue to reap the benefits of energy efficiency, customers must increasingly turn towards more complex, more customized, higher commitment measures such as HVAC systems and control systems. The higher complexity of these measures necessitates additional effort from the Company to ensure that programs are helping customers identify the measures that make sense for their specific situation, in addition to ensuring their successful installation and operation. Additionally, with Rhode Island's *Act on Climate*, the Company must evaluate measures and program design through the additional lens of its contribution to the broader economy-wide efforts towards decarbonization. Therefore, the Company's strategy will be to invest in research to identify the next generation of impactful efficiency measures, and to redesign programs to effectively support these measures.

Cross-Cutting Tactics

During the 2024-2026 term, the Company will explore innovative strategies and technologies that are unique to the Rhode Island customer-base and market situation. To supplement these findings, the Company will look to learn from demonstrations, pilots, and assessments conducted both regionally and nationally, and to discern if those strategies could be successfully deployed in the Rhode Island market. This targeted approach, coupled with learnings from other jurisdictions, should permit Rhode Island to be an early adopter of successful energy efficiency strategies and technologies without having to fund the costs associated with launching and evaluating demonstrations, pilots, and assessments that are being conducted in other jurisdictions.

In this Three-Year Plan, the Company will explore the possibility of right-sizing incentives for fossil fuel equipment and options for optimizing electric versus gas to promote the state's decarbonization agenda and meet stakeholders' desires for aligning the energy efficiency programs with the Act on Climate. The PUC has initiated a docket (Docket 22-01-NG) to explore the future of natural gas for the state. RI Energy plans to track the orders and other relevant findings from this docket to inform energy efficiency design for this Three-Year Plan.

RI Energy has also proposed a business case for the expansion of Advanced Metering Functionality (AMF) across its electric service territory. As described in the Company's proposal, the expansion of AMF creates several opportunities for behavior programs, such as the Home Energy Reports program.

Residential & Income Eligible Tactics

For Residential and Income Eligible programs, the Company will prioritize electric resistance heat to air source heat pump conversions. The Company's goals for this conversion effort necessitate a comprehensive

approach that includes weatherization agencies, HVAC installers, and the various stakeholders who own and rent housing throughout Rhode Island. The Company will coordinate and collaborate with the OER on its High-Efficiency Heat Pump Program to support supplemental measures, such as the aforementioned weatherization services.

Another area for potential program redesign is residential new construction. The most recent evaluation indicates that energy savings between recent new construction participants and non-participants has narrowed. This provides the Company with an opportunity to focus on higher savings building approaches. To do so, the Company plans to revisit which measures and/or market segments should be included in the Residential New Construction Program. In addition, the Company intends to explore options for promoting zero-energy ready homes.

Commercial & Industrial Tactics

As high efficiency lighting opportunities decline, the Company will expand its existing C&I programs to deliver an increasingly diverse portfolio of savings. High-performance HVAC offerings will be augmented by services supporting more advanced system controls, energy management systems and building analytics. These energy efficiency technologies will be offered through multiple pathways, including but not limited to retro-commissioning, monitoring-based commissioning, equipment right-sizing and the upstream program.

Additionally, the Company will look to provide enhanced incentives to customers who commit to implementing comprehensive energy efficiency measures within a specified timeframe. To qualify for the enhanced incentives, the customer will need to commit to installing three or more energy efficiency measures with different end-uses within a program year. The objective is to accelerate deeper, more comprehensive measure adoption by reducing the payback period for customers.

Further, the Company will develop a host of prescriptive and custom offerings to promote commercial weatherization and greenhouse gas emission reductions. These offerings include prescriptive weatherization and air sealing, energy recovery ventilators, gas and refrigeration leak reduction, and upstream heat pumps. The Company will also work with OER to better understand electrification efforts being funded through state and federal programs, and to determine if synergistic measures could be deployed through the Company's energy efficiency programs to advance electrification efforts. The Company anticipates these synergies would likely occur on projects relating to weatherization, ventilation and controls.

3.2.3 Enable customers to invest in efficiency: Enhance financing options and customer awareness of complementary funding sources.

Strategic Philosophy

One of the fundamental pillars of energy efficiency investment is the idea that a greater upfront investment will yield greater lifetime savings, given the decrease in ongoing consumption and costs. However, the decision is often not as simple as comparing net present values or finding a favorable payback period. While

one-time rebate incentives help mitigate the first cost of efficiency measures, access to capital can still inhibit customers' ability to invest in efficiency. Straightforward, readily available financing increases project implementation and extends program dollars to serve a greater number of customers. Therefore, the Company's strategy will be to explore ways to enhance and expand the suite of financing offerings available to customers to enable more customers to make affordable, impactful multi-year investments in efficiency.

Cross-Cutting Tactics

The Company has several financing vehicles currently on offer to customers (e.g., On-Bill Refinancing, Third-Party C&I Financing, HEAT Loan, Efficient Buildings Fund), and will investigate ways in which these offerings can be expanded to serve more customers. To make financing more useful in moving projects across the finish line, the Company will provide additional training on available financing mechanisms and how to position them effectively to internal sales staff and trade allies. At the same time, RI Energy recognizes gaps in current finance offerings, such as a lack of options for landlords in the Multifamily program, and the Company plans to work to find effective ways to address these gaps.

In addition to financing, the Company will collaborate with OER to integrate program incentives with state and federal funding. OER will administer $64 million in funding from the federal IRA in addition to $25 million from the American Rescue Plan Act (ARPA) for its High-Efficiency Heat Pump Program. The IRA also offers several enhanced tax credits to encourage homeowners to pursue efficiency and electrification measures. Rhode Island Infrastructure Bank, in addition to their $5 million annual allocation of program dollars, received an additional $5 million from a 2022 state bond issue to support a small business energy efficiency fund. The Company intends to leverage these outside dollars to encourage greater program participation.

Residential & Income Eligible Tactics

The Company intends to explore both financing strategies and leveraged funding for customers. As part of this effort, the Company plans to re-examine the structure of its Heat Loan. One concern with the current Heat Loan model is that the 0 percent interest buy down may restrict the overall number of customers that the loan can reach, given its limited funds combined with the recent increase in interest rates. One potential alteration would be to offer tiered Heat Loan incentives based on income level or energy efficiency measures financed and reserving the 0 percent Heat Loan for income-eligible customers, as well as potentially increasing the Heat Loan cap. This potential redesign of the Heat Loan would require significant thought on how to provide income verification without overcomplicating the process.

Commercial & Industrial Tactics

The Company will continue to promote its On Bill Repayment offering to all C&I natural gas accounts and to large C&I electric accounts that consume more than 1,000 MWh per year. The On Bill Repayment offering provides rapid approval, zero interest loans for qualified energy efficiency projects. The loan size available for natural gas customers ranges from $1,000 to ~$100,000 (the loan size may be larger for SEMP or special projects), with a maximum tenor of three years for commercial accounts, and five years for State facilities.

For electric customers who consume over 1,000 MWh annually, the loan size can range from $1,000 to ~$100,000 (the loan size may be larger for SEMP customers or special projects), with a maximum tenor of 5 years for commercial accounts, and 7-10 years for State facilities. Small Business accounts that consume less than 1,000 megawatt-hours (MWh) per year are eligible to receive loans that range from $500 to $50,000, with a maximum tenor of five years. Please note that the Company's On Bill Repayment offering cannot be used to support energy efficiency upgrades that have a benefit cost ratio less than 1.0.

3.2.4 Serve customers equitably: Design programs with a conscious effort to serve low- and moderate-income; gender, racially and ethnically diverse; and non-native English-speaking customers.

Strategic Philosophy

Over the years, the Company's energy efficiency programs have served thousands of customers. Even with this success, the Company continues to strive to reach all its customers, especially those who have not yet participated in the wide range of energy efficiency programs. In particular, the Company seeks to continue to expand its programs' reach to those who are historically underserved, and those who bear the heaviest energy burdens (and thus have the most to benefit from energy efficiency). As the energy and program provider for all customers in its service territory, across all income levels, gender and race categories, and languages spoken, it is the Company's responsibility to ensure that ample benefits are provided to the most vulnerable populations. Therefore, the Company's strategy will be to strive to create a portfolio of programs that are designed to deliver affordable efficiency measures to the historically underserved, and equitably provide benefits to customers across all demographics to improve satisfaction for all customers.

Cross-Cutting Tactics

The Company will continue portfolio-wide efforts to ensure programs are accessible to diverse populations (e.g., creating program forms and collateral in multiple languages). The Company will continue to focus on recommendations from the Equity Working Group and refine metrics to measure progress on the equity front. The Company is open to discussions with stakeholders on mechanisms for including an equity component in the PIM.

Residential & Income Eligible Tactics

The Company's income eligible air-source heat pump plan specifies that at least 25 percent of the target 750 annual conversions take place at low-income customers' residences. The Company is implementing that plan with trusted vendor relationships in the income eligible community include HVAC and weatherization contractors as well as high performing CAP agencies.

More generally, the Company will continue to improve its outreach and engagement with community-based organizations. One potential component of our outreach strategy would involve using data on deed-restricted housing, to ensure that efficiency work for income-eligible customers remains with income-eligible

customers (as required in the property deed) as opposed to inadvertently playing a role in converting the property to market-rate housing through efficiency-related capital upgrades.

In another effort to equitably deliver program dollars, this Three-Year Plan will look to address the deferrals and pre-weatherization barriers that stand in the way of many low-and-moderate income customers receiving weatherization services. The Company intends to expand on and refine recent initiatives regarding data tracking of deferrals and pre-weatherization barriers across all Residential home services programs. The Company plans to collaborate with stakeholders and other groups to assess best practices and new strategies when it comes to addressing pre-weatherization barriers so that the crucial work of weatherizing homes may continue. The Company also intends to identify and compile resources for leveraging funding to address pre-weatherization barriers.

Commercial & Industrial Tactics

For the 2024 Three-Year Plan, the Company will look to deploy additional bilingual auditors who speak Spanish or Portuguese (the two most widely spoken languages besides English in Rhode Island). The Company will also continue to translate marketing material into Spanish and Portuguese to improve outreach and provide more equitable services.

Additionally, the Company will look to continue its Main Streets Initiative. This initiative aims to accelerate the adoption of direct-install efficiency measures for small businesses within a targeted community. Outreach for this initiative includes direct mail and/or social media engagement, followed by a door-to-door effort that lasts between three-to-seven days, depending on the number of small businesses or microbusinesses and the size of the target community. In selecting the Main Streets Initiative locations, the Company will prioritize Environmental Justice focus areas.

3.2.5 Ensure Workforce Capacity to Serve Customers

Strategic Philosophy

The ability of customers to invest in energy efficiency relies on the existence of a robust, well-trained workforce that can deliver high-quality service. For decades, the Company's programs have helped nurture the energy efficiency workforce in Rhode Island. Even still, the state of the current program delivery workforce (trade allies, vendors, and project expeditors) is sometimes strained in its ability to deliver services in a manner that meets program goals and satisfies customer expectations. The Company knows, for example, that the undersupply of qualified energy auditors, which is seen throughout construction-based fields, results in long wait times for customers, eroding program participation and customer satisfaction.

Boosting capacity alleviates the bottleneck of available labor and affords the Company s the opportunity to address equity issues by expanding the number of minority-owned and women-owned business enterprises that work as primary contractors and subcontractors in program delivery. While development of Rhode Island's workforce is a multi-faceted, statewide effort that extends beyond the borders of the Company, RI

Energy plays an important role as a key leader in this effort. The Company recognizes, also, that increased workforce capacity will be critical in meeting the goals set out in Act on Climate.

Therefore, the Company's strategy is to continue taking an active role to help its partners develop the skills and capacity necessary to maximize the impact of program dollars.

Cross-Cutting Tactics

The Company's specific role in developing Rhode Island's workforce includes:

- Defining how large a workforce is needed to successfully deliver programs.
- Expressing gaps in the current workforce (e.g., minority-owned business enterprise contractors who serve customers in their preferred language).
- Supporting programs that are an effective pipeline for the energy efficiency workforce (e.g., the Residential Construction Workforce Partnership).

Workforce development efforts will be enhanced based on the recommendations from the Rhode Island Workforce Needs Assessment Study, which was released in Q2 2023. The Company is currently working on improving training for vendors and project expeditors, and the Company has the capacity to increase its focus on code compliance. Known areas of focus will be zero net energy projects, building operator certification, codes and standards compliance training, weatherization, and general energy efficiency skills, such as auditing and the Association of Energy Engineers' Certified Energy Manager (CEM) certification.

In addition, the Rhode Island House of Representatives passed H6101/S0855 Sub A which requires the state to adopt the 2024 International Energy Conservation Code (IECC) within 3 months of publication (expected to be January of 2024). The law requires adoption with no weakening amendments and a plan for 90% compliance within 6 months for residential and commercial new construction and renovations.

The Company's Codes & Standards program team met with the RI Code Commissioner to begin the process of scheduling mandatory trainings for building officials. The Company, through its contractor, CLEAResult, will be augmenting code update trainings for all industry professionals. The change in the residential code will likely result in the industry shifting away from prescriptive pathways to a performance-based pathway for compliance, which involves an energy rating. More Home Energy Rating System (HERS) Raters will be needed to meet this demand and will be a focus of workforce development efforts over the 2024-2026 program cycle. The IRA has allocated funding to assist states in adopting the current energy code (or a zero-energy code) and implementing a compliance plan. OER will administer this funding and the Company will work with OER to collaborate on this workforce development effort.

The Company anticipates making investments in workforce development in this Three-Year Plan including:

- Providing training to the residential efficiency workforce and technical students.

- Enhancing continuing education for building managers and facilities operators.
- Educating current vocational students about opportunities in the energy efficiency field.
- Increasing the supply of residential energy raters.

These efforts will be coordinated across both the C&I and residential teams, along with the appropriate state and local authorities, to reduce or eliminate duplication of effort and expenditures.

3.2.6 2024-2026 Efficiency Plan Program Updates

The company anticipates making the following enhancements and changes to the programs for the 2024-2026 plan.

Residential Offerings

EnergyWise Single Family (Electric and Gas)

- Coordinate with OER's Clean Heat RI Program.
- Coordinate with OER to leverage additional federal funding opportunities (e.g., ARRA, IRA).
- Leverage the high-cost effectiveness of weatherization measures and heat pump installations by offering additional funding to remediate pre-weatherization barriers (up to the point of cost effectiveness for both measures).
- Improve data collection efforts around pre-weatherization barriers, to better understand their impact on energy efficiency progress.
- Collaborate with stakeholders and other groups to assess best practices and new strategies to address pre-weatherization barriers (also applicable to Income Eligible Services program).

Multifamily (Electric and Gas)

- Use the Heat Pump Market Research Study results, including landlord interviews, to target landlords for heat pump upgrades and other applicable energy efficiency measures (also applicable to C&I Multifamily Program)
- Work to establish a pilot program around one or more new financing options for multi-family (also applicable to C&I Multifamily Program).

Income Eligible Services (Electric and Gas)

- Ensure the IES program is delivered equitably, with the input and guidance of the Rhode Island EWG.
- Address the deferrals and pre-weatherization barriers that stand in the way of many low-and- moderate income customers receiving IES program services.
    - Expand on and refine recent initiatives regarding data tracking of deferrals and pre- weatherization barriers across all Residential Home Services programs.

- Collaborate with stakeholders and other groups to assess best practices and new strategies to address pre-weatherization barriers.
- Identify and compile resources for leveraging funding to address pre-weatherization barriers.

Residential New Construction

- Revise the RNC program guidelines to reflect changing baseline assumptions.
- Increase the number of projects achieving advanced building standards and certifications such as Zero Net Energy and Passive House.
- Determine needed implementation changes based on an ongoing User Defined Reference Home (UDRH) study.

Home Energy Reports (Electric and Gas)

- Explore tailoring HER program to target specific audiences (e.g., high users).
- Explore increasing messaging to Automated Metering Frequency (AMF) customers.

Residential Consumer Products (Electric)

- No major changes planned.

Residential High-Efficiency Heating, Cooling, and Hot Water (Electric and Gas)

- Target electric heat resistance customers for heat pump upgrades as outlined in the Company's *Electric Resistance Heating to Air Source Heat Pumps: Implementation Plan for the Income Eligible Sector* (also applicable to Income Eligible Services program).
- Coordinate with OER's High-Efficiency Heat Pump Pilot Program.
- Research opportunity to implement right-sizing incentives for fossil fuel equipment and options for optimizing electric versus gas.
- Coordinate with OER to leverage additional federal funding opportunities (e.g., ARRA, IRA).
- Coordinate with OER on HVAC workforce development in 2024.

Commercial and Industrial Offerings

New Construction

- The Commercial and Industrial New Construction program underwent a program redesign to simplify the pathways for participation; the Company is anticipating those changes will result in additional program activity during Program Years 2024-2026
- Revise the Large Commercial New Construction program guidelines to reflect changing baseline assumptions, IECC 2018
- Changes to Upstream New Construction baseline assumptions for Food Services and HVAC

Retrofit

- The Company will look to deploy a data-driven approach to increasing customer participation in the commercial and industrial sector.
    - Analyze customer consumption data (kWh, peak load, and therms) and past energy efficiency participation to better target customers, especially non-participants.
- Expand the reach of its Strategic Energy Management Planning (SEMP) initiative to support the increasing number of customers with climate and sustainability goals.
- Expand services supporting more advanced system controls, energy management systems, and building analytics.
- Enhanced incentives to customers that commit to implementing comprehensive energy efficiency measures.
- Enhance continuing education for building managers and facilities operators.
- Work with OER to better understand electrification efforts being funded through State and Federal programs.
- Promote prescriptive and custom offerings to promote commercial weatherization and greenhouse gas emissions reduction.

Small Business Direct Install

- Promote prescriptive and custom offerings to promote commercial weatherization and greenhouse gas emissions reduction including the development of prescriptive weatherization and air sealing offerings.
- Further promote Main Streets initiative in Environmental Justice Areas
- Deploy multilingual marketing materials and program materials.
- Work with OER to better understand electrification efforts being funded through State and Federal programs.

3.3 Multiyear Strategies

The PUC has directed the Company to identify investment strategies for which implementation and budget requests (or revenue collection) are expected to span multiple years. There is no such multi-year commitment envisioned for the 2024-2026 planning cycle.

3.4 Coordination with Other Programs and Policies

Continuing to provide the best value to Rhode Island customers necessitates that the Company coordinate with other parts of the energy system. For the 2024-2026 Three-Year Plan the Company will continue to implement the energy efficiency portfolio of programs in coordination with other Company filings and activities, described below. Efforts have also been taken to ensure the Plan is aligned with relevant state policies and objectives, with specific coordination opportunities below.

3.4.1 System Reliability Procurement

Rhode Island Energy will continue to coordinate across energy efficiency programs and system reliability procurement. For 2024-2026, this coordination includes, but is not limited to, supporting market engagement efforts for non-wires and non-pipes solutions, conducting locational outreach for energy efficiency/demand response measures that may preemptively alleviate grid needs to some extent, and supporting internal evaluation of energy efficiency/demand response as a non-wires or non-pipes solution. Rhode Island Energy will coordinate internally through overlapping staffing assignments and anticipates support for coordination through external stakeholder engagement.

3.4.2 Advanced Metering Functionality and Grid Modernization

The deployment of Advanced Metering Functionality (AMF) in the Company's service territory will enable the near real-time collection of granular customer energy usage data. The availability of this data in turn enables enhancements to energy-efficiency program design and implementation. AMF data can be used to target programs, identifying customers who are likely to benefit the most from program participation (and the converse, customers who are least likely to benefit). The analysis of AMF data can provide the Company with real-time views of program performance, enabling enhanced program management (adjusting program approaches during the year based on observed performance), faster and more immediately actionable evaluation, measurement, and verification (EM&V). The availability of real-time program performance data also creates the potential for expanded pay-for-performance (P4P) programs.

Currently, the Company's plan for AMF meter deployment begins in Q3 2024, with continual deployment expected to go through the end of 2025. Therefore, in the 2024 Annual Plan the Company will not plan activities that rely on AMF, but rather plan activities which lay the groundwork for implementing the program enhancements listed above in future years. As AMF is gradually deployed throughout 2025, in the development of the 2025 Annual Plan, the Company plans to explore ways to pilot AMF-enabled offerings with customers who have received AMF meters. Building off the groundwork laid in 2024 and the insights gained in 2025, the Company plans to roll out AMF-enabled program designs at scale in the 2026 Annual Plan. These plans are contingent on the progression of the Company's AMF deployment and so are subject to change.

3.4.3 Act on Climate

The 2021 Act on Climate Legislation sets mandatory, enforceable, state-wide, economy-wide greenhouse gas emissions reduction targets of 10% below 1990 levels by 2020; 45% below 1990 levels by 2030; 80% below 1990 levels by 2040; and net-zero emissions by 2050.

The Company is actively participating in the ramp up to the *2025 Climate Strategy*, having submitted comments to the State's Request for Information to Support the Development of a Scope of Work for the Climate Action Strategy today. The energy savings achieved by Rhode Island Energy's energy efficiency programs directly

advances priority actions identified by the Rhode Island Executive Climate Change Coordinating Council (EC4) in their *2022 Update* to the *2016 Greenhouse Gas Emissions Reduction Plan*.

3.4.5 Future of Gas

The Public Utility Commission Docket 22-01-NG Investigation into the Future of the Regulated Gas Distribution Business in Rhode Island as it pertains to the Act on Climate is unlikely to impact the 2024 annual plan and it is uncertain whether the Docket and/or subsequent rulings could impact the latter years of this Plan. As such, it would be premature to take steps towards phasing out such incentives until the Company has clear visibility into the PUC's preferred decarbonization pathways and how those might impact customer demand on and usage of the natural gas system.

3.4.6 Office of Energy Resources (OER)

OER has been allocated $25 million in American Rescue Plan Act (ARPA) funding to develop and implement their High-efficiency Heat Pump Program (HHPP). The Company and OER have communicated throughout the development of this program to coordinate, to the extent possible, the Company's efficiency program offerings with those of the HHPP, with a goal of simplifying the process for customers interested in this technology. We will continue to collaborate with OER as they develop programs to spend federal funding provided through the Inflation Reduction Act (IRA). Most of that funding, nearly $64 million, will go towards rebates for residential energy efficiency and electrification measures. Again, we are prioritizing clarity for customers and participants as to the best pathways for them to access the appropriate incentives and rebates for their projects.

3.5 Evaluation Plans

As program offerings continue to evolve, Rhode Island Energy intends to deploy evaluation, measurement, and verification (EM&V) studies to support that evolution while, at the same time, using the studies to verify reliable program savings. Among the themes that the Company expects to address over the course of the three-year term are:

- Future of incentives for efficient lighting and claimable savings from lighting
- Support for the adoption of heat pumps
- Options for gas energy efficiency program evaluation under the Act on Climate
- Productive interaction between federally funded energy efficiency and Rhode Island Energy's programs; the Company will also ensure that its EM&V activities conform to relevant EM&V requirements of the federal programs
- Leveraging Advanced Metering Functionality in EM&V

Plans for specific EM&V studies will be included in each Annual Plan.

4. Savings Goals, Budgets, and Funding Plan

This section provides the numerical energy and demand savings goals for the three years addressed by the plan. Goals are presented in units of lifetime savings (MWh for electric and MMBtu for gas), annual savings, and all-fuels MMBtu savings. Carbon reductions are calculated and reported as a secondary goal consistent with the Standards and the Act on Climate.

4.1 Three-Year Goals

The Company developed its projected savings goals for 2024-2026 by considering recent program achievements, market dynamics shaping energy efficiency adoption, recent evaluation results, and proposed program design changes. The Company also factored input from stakeholders and the public, as described above. Finally, the MPS Refresh offered insights into potential areas of savings growth. Using this information, Rhode Island Energy developed measure and program level estimates of savings and aggregated these up to sector and portfolio levels. The Company similarly calculated spending required for customer incentives to achieve the savings goals and developed budgets for program administration, marketing, and evaluation, building on recent program experience. In developing budgets and the savings that could be achieved within those budgets, Rhode Island Energy also gave considerable weight to recent Commission guidance about limiting year-over-year growth in program budgets. While most focus in detailed planning is given to 2024, the Company adjusted savings estimates for 2025 and 2026 to reflect program changes over the term.

Table 2. 2024 – 2026 Electric Portfolio Savings Summary

Electric Programs	2024	2025	2026
Savings and Benefits			
Annual Electric Savings (MWh)	93,101	94,373	96,147
Annual Delivered Fuel Savings (MMBtu)	47,806	51,109	54,335
Annual Total Savings (MMBtu)	353,511	365,523	378,958
Lifetime Electric Savings (MWh)	736,591	772,440	807,988
Lifetime Delivered Fuel Savings (MMBtu)	946,483	1,000,773	1,055,445
Lifetime Total Savings (MMBtu)	3,400,150	3,615,308	3,826,813
Net Annual Summer Demand Savings (kW)*	57,044	57,057	57,199
Net Annual Winter Demand Savings (kW)	14,626	14,775	14,938
Annual Carbon Reduction (Short Tons)	39,782	40,826	42,024
Lifetime Carbon Reduction (Short Tons)	362,021	382,731	403,153
Total Benefits (RI Test)	$210,509,820	$231,948,908	$241,348,930
Costs*			
Total Funding Required	**$103,856,420**	**$105,499,844**	**$107,281,898**
Cost per Lifetime kWh	$0.161	$0.154	$0.148
EE Program Charge per kWh	$0.01282	$0.01328	$0.01395
Benefit Cost Ratio (RI Test)	**1.71**	**1.88**	**1.94**

** kW and Costs include Residential and Commercial ConnectedSolutions demand response programs, for illustration purposes; these programs may be moved outside of the energy efficiency programs.*

Business Use

Table 3. 2024-2026 Natural Gas Portfolio Savings Summary

Natural Gas Programs	2024	2025	2026
Savings and Benefits			
Annual Natural Gas Savings (MMBtu)	316,946	331,311	345,393
Lifetime Natural Gas Savings (MMBtu)	3,438,182	3,624,115	3,797,251
Total Benefits (RI Test)	$77,998,723	$81,295,539	$83,998,531
Annual Carbon Reduction (Short Tons)	18,610	19,469	20,290
Lifetime Carbon Reduction (Short Tons)	202,612	213,770	223,873
Costs			
Total Funding Required	**$37,620,262**	**$38,266,430**	**$38,936,268**
Cost per Lifetime MMBtu	$0.013	$0.013	$0.012
Residential Energy Efficiency Program Charge per Dth	$1.152	$1.167	$1.183
C&I Energy Efficiency Program Charge per Dth	$0.629	$0.637	$0.646
Benefit Cost Ratio (RI Test)	**1.72**	**1.74**	**1.76**

Below please find an explanation of some of the considerations used in preparing the savings, budgets, and benefits in Tables 2 and 3.

Residential and Income Eligible Services

EnergyWise Single Family

LED lighting will no longer be offered starting in 2024 resulting in the decrease in MWh savings seen in 2024. Over the course of 2024, 2025 and 2026 the program anticipates growth of heat pump adoption through a concierge service with RISE to assist customers with heat pumps. In addition, we expect growth through emphasis on weatherization of electrically heated homes to help mitigate some of the losses associated with the sunsetting of the program's lighting offer.

Gas savings are estimated to grow modestly as of some of the inflationary economic pressures that have suppressed participation across the programs begin to ease and strategies to overcome pre-weatherization barriers are implemented, expanding the pool of potential participants.

EnergyWise Multi-Family

EnergyWise Multi-Family market rate and Income Eligible programs will no longer offer lighting measures in 2024. It is anticipated that the decline in electric savings due to the elimination of lighting will be balanced by the increased uptake of heat pump replacements resulting from a more focused and strategic approach to targeting multi-family property owners for heat pump upgrades.

Business Use

Gas savings are estimated to grow modestly as some of the inflationary economic pressures that have prevented multi-family property owners from undertaking capital improvements begin to ease. The Company is also optimistic about the potential for new financing options for the multi-family sector.

Income Eligible Services

Single family Income Eligible Services will no longer offer lighting measures in 2024. The decline in anticipated electric savings is tempered by the addition of more electric resistance to electric heat pump replacements. Gas savings are forecasted to decline as customers transition gas heated residences to electrically heated homes and there are fewer heating system replacements and potentially lower weatherization opportunities.

Residential New Construction

The RNC program is currently projecting an increase in electric savings and a decrease in gas savings as we anticipate the continuing trend of phasing out gas incentives. The higher electric savings in 2024 relative to 2025 and 2026 are based on our projections from our existing pipeline of work. One thing to note is that current 2024-2026 numbers may be revised as we continue to evaluate the impact of updated UDRH baselines on the program.

Home Energy Reports

Home Energy Reports has been offered in Rhode Island for ten years. As the program continues, the degree of savings declines as customers move or opt out of the offering. There is a natural decline in year-over-year savings until enough new customers are available to create a new cohort of customers.

Residential Consumer Products

The primary reason for the decrease in 2024 is based on our evaluation of the program in 2023, as well as decreased consumer spending due to the current economic environment. We anticipate a slight rebound in 2025 and 2026.

Residential High-Efficiency Heating, Cooling, and Hot Water

We anticipate a large increase in 2024 due to ambitious heat pump targets. Additionally, we are raising our goal in general as the HVAC program has been outperforming its goals in recent years. We also anticipate additional savings as OER launches their own heat pump program. On the gas side, we anticipate decreased savings as we shift away from gas appliances towards electric units.

Commercial and Industrial (Electric)

Code Impacts

Listed below are the anticipated per unit percent savings reductions that are likely to occur after the adoption of a new code standard. For the purposes of this forecast, we are assuming these changes will be implemented as of January 1, 2024.

Table 4. Anticipated per unit savings reductions due to new code (Electric)

Electric Measures	Per Unit % Savings Reduction
2023 Fryer	32%
2023 Convection Oven	46%
2023 Combination Oven	73%
2023 Steamer	89%
2023 1/2 Size HFHC	45%
2023 3/4 Size HFHC	25%
2023 Full Size HFHC	81%

Dishwasher Measures	Per Unit % Savings Reduction
Low Temp Under Counter	35%
Low Temp Stationary Single Tank Door	91%
Low Temp Single Tank Conveyor	67%
Low Temp Multi Tank Conveyor	66%
High Temp Under Counter	37%
High Temp Stationary Single Tank Door	82%
High Temp Single Tank Conveyor	59%
High Temp Multi Tank Conveyor	76%
High Temp Pot, Pan, and Utensil	58%

HVAC	Per Unit % Savings Reduction
Unitary Air Conditioning Units	~40%
Heat Pumps	

Retrofit

The C&I Electric Retrofit Three Year Plan represents a significant increase in savings derived from HVAC and Motor and Drives end-uses. The increased HVAC savings can be attributed to the ramping up of the Building Analytics Program and deployment of the Energy Management System prescriptive tool, coupled with increased incentives. Additionally, the Company expects the Industrial initiative to perform more energy conservation measures related to Motors and Drives as the lighting market continues to saturate. Please find the section below that provides a more quantitative analysis of the changes occurring during the 2024-2026 Three Year Plan.

The 2024 Retrofit Plan represents a 1,191,227 increase in gross annually kWh above the 2023 Retrofit Planned values. The 2025 Retrofit Plan accounts for a 1,783,336 increase in gross annual kWh above 2023 Retrofit Planned values. The 2026 Commercial and Industrial Electric Retrofit Plan includes a 3,564,847 annual gross kWh increase above the 2023 Retrofit Planned Values.

The 2026 Plan accounts for a nearly 66% gross annual kWh increase in HVAC related savings above the 2023 Planned values. The 2024 Planned HVAC savings represent a 15% increase above 2023 Planned values. The Company has planned a 44% increase in HVAC related savings from 2024 to 2026.

The 2026 Plan includes a 63% gross annual kWh increase in Motors and Drives related savings above 2023 Planned values. This includes a 44% increase in planned Motors and Drives savings from 2024 to 2026.

New Construction

The Electric New Construction Three Year Plan assumes a roughly 40% decrease in savings for unitary Air Conditioners and Heat Pumps due to code. Additionally, the Company has factored in several claimable savings reductions linked to Food Service equipment due to advancements in Code (see table above for impacts). To account for these savings reductions, the Company has planned for significant increases within the Three-Year Plan related to HVAC and Custom projects. The Company anticipates these savings levels will be achieved in-part through the new streamlined New Construction program design and through incremental process improvements and outreach strategies.

The 2024 New Construction Plan accounts for a 1,935,683 gross annually kWh increase above 2023 Retrofit Planned values. The 2025 New Construction Plan accounts for a 2,583,828 gross annual kWh increase above 2023 New Construction Planned values. The 2026 Commercial and Industrial Electric New Construction Plan includes a 3,446,843 annual gross kWh increase above the 2023 New Construction Planned values.

The 2026 Plan includes an 18% gross annual kWh increase in HVAC related savings above 2024 planned values. The 2025 Plan includes an 8% increase in gross kWh savings from HVAC end-uses above 2024 Planned values. The 2026 Plan includes an above 9% increase in gross kWh savings from HVAC end-uses above the 2025 Planned values. Please note that this accounts for an expected 40% decrease in claimable savings due to updates to Code Standards beginning in 2024.

The 2024 Plan includes a 20% increase in gross annual kWh savings attributed to Custom projects above 2023 Planned values. The 2026 Plan accounts for a nearly 49% increase in gross annual kWh savings from Custom Projects above the 2023 Planned values.

Commercial & Industrial (Gas)

Code Impacts

List below are the anticipated per unit percent savings reduction that are likely to occur after the adoption of a new code standard. For the purposes of this forecast, we are assuming these changes will be implemented as of January 1, 2024.

Table 5. Anticipated per unit savings reductions due to new code (Gas)

Gas Measures	Per Unit % Savings Reduction
2023 Fryer	80%
2023 Convection Oven	46%
2023 Combination Oven	92%
2023 Steamer	91%

Retrofit

The C&I Gas Retrofit Three-Year Plan includes an 11% increase in Planned savings above 2023 Planned values. The increase in Planned savings can be attributed to a ramping-up of savings related to HVAC and Custom projects. More specifically, the Company has planned a 30% increase in Custom HVAC Energy Management Systems/Controls in large part due to the Company's increased focus on EMS, particularly those buildings that are too large to participate through the prescriptive EMS Tool pathway. Additionally, the Company has increased a host of Custom HVAC measures, including a 20% increase in Planned savings from Custom HVAC retrofit equipment.

The 2024 C&I Gas Retrofit Plan includes an 11% increase in Planned savings above 2023 Planned values. The 2026 Retrofit plan includes a 34% increase in Planned savings above the 2023 Planned values.

The 2024 Plan accounts for a nearly 12% increase in HVAC related savings above the 2023 Planned values. The 2026 Plan contains a 35% increase in HVAC related savings above 2023 Planned values.

Business Use

The 2024 Plan accounts for a 20% increase in Custom savings above the 2023 Planned values. The 2026 Plan represents a 46% increase in Custom savings above the 2023 Planned values.

New Construction

The C&I Gas New Construction Three-Year Plan accounts for significant reductions in per unit claimable savings from Food Service Equipment due to Code Standards (Please see table above). To account for the decrease in Food Service claimable savings, the Company will look to ramp-up savings associated with HVAC and Custom projects. The 2026 Plan includes a 35% increase in HVAC related savings above 2024 Planned values. Likewise, the 2026 Plan accounts for a 21% increase in savings from Custom projects above 2024 Planned values. The Company anticipates these values will be achieved because of the newly streamlined New Construction Program and as a result of process improvements and increased outreach.

The 2026 C&I Gas New Construction Plan represents a 21% increase above 2024 Planned values.

The 2026 Plan accounts for a 54% increase in HVAC related savings above 2023 Planned values. HVAC related savings increase by 35% from 2024 Planned values to 2026 Planned values.

The 2024 Plan represents an 18% increase in Custom savings above 2023 Planned values, and a 21% increase custom savings from the 2024 Plan to the 2026 Plan.

Please note that the 2024-2026 C&I Gas New Construction Plan takes into account the savings reductions per unit described in the table listed above.

Small Business Direct Install (Electric and Gas)

On the electric side, the company is projecting a steady transition from a lighting dominated base of 2023 (almost 90% of savings) to about 50% by 2026. The difference is largely made up in Custom HVAC, drives/motors, and custom water heaters (heat pump water heaters).

On the gas side, the company increased savings for building shell. There is going to be a continued push over the next 3 years to diversify our measure mix and move away from lighting and bringing in more HVAC and Weatherization opportunities.

4.1.1 Comparison of Goals with Market Potential Study Refresh

An analysis was performed to compare the MPS Refresh[7], prepared by Dunsky Energy and Climate Advisors for the EERMC, with the 2023 BCR model. The comparison is shown in Table 6, below.

[7] For additional information on the Market Potential Study refresh, please visit the EERMC website.

Table 6. Comparison of Goals with MPS Refresh

	Planned Values		MPS Values	
	Lifetime MMBtu (Gas Programs)	**Lifetime MWh** (Electric Programs)	**Lifetime MMBtu** (Gas Programs)	**Lifetime MWh** (Electric Programs)
Residential				
2024	1,097,009	194,614	3,225,203	524,767
2025	1,105,676	203,802	3,238,316	535,582
2026	1,078,396	212,525	3,248,486	541,630
Income Eligible Residential				
2024	293,446	52,348	291,786	60,900
2025	303,154	64,487	292,957	61,685
2026	304,838	70,343	293,891	62,272
Commercial and Industrial				
2024	2,031,148	489,569	3,541,850	811,977
2025	2,215,286	504,090	3,559,417	804,343
2026	2,414,017	525,060	3,577,207	810,052
Total Savings	10,842,969	2,316,836	21,269,114	4,213,208

To perform the comparison, because measure names in the two sources do not match, assumptions were made to match MPS measures with BCR measures. This matching process could have potentially created some disparities in the comparison. With this caveat in mind, the primary differences between the MPS Refresh and BCR include:

- Planned quantities – the difference in quantities between the MPS refresh and the Company's goals is largely driven by unconstrained budget increases allowed in the MPS refresh. The significantly higher quantities in the MPS refresh caused savings to be significantly higher for many measures.
- Sourcing and values of impact factors – The BCR sources were mostly RI specific studies, recent MA studies, or sourced from recent TRMs. These updated sources in several cases reflected decreased savings compared to the sources used in the MPS Refresh which included IL 2019 TRM, Iowa 2018 TRM, MA 2019 TRM, Dunsky Professional Judgement, and Energy Star sources.
- Lifetime savings – Differences in lifetime savings were driven by differences in impact factors and planned quantities, as well as some measure life differences.
- Measure included in the MPS Refresh – there were a handful of measures providing savings in the MPS refresh that Rhode Island Energy does not currently plan for in its programs; some of these measures had failed the RI test when Rhode Island Energy had previously screened them and some of them are new.

This comparison provides valuable insight into the differences between the EERMC's filed targets and the goals proposed by the Company over the coming three years and this analysis was shared with the EERMC. Further

understanding of these differences could reduce the gap between the savings estimates. It could also provide insight into potential recommendations for updates in subsequent Rhode Island Energy Plans. These updates may include updating impact factors by utilizing assumption references from the MPS Refresh, updating planned quantities through considering different marketing approaches or adjusting incentive levels, adding in new measures called out within the MPS, or utilizing the analysis to support net savings goals.

4.2 Historic Savings

To put the savings goals in context, Table 7 and Table 8 show a summary of historic electric and natural gas energy efficiency achievements and spending since 2009.

Table 7. Summary of 2009-2021 Electric Energy Efficiency Year End Reports

Year	Annual MWh Savings	Lifetime MWh Savings	Total Benefits ($000)	Total Spending ($000)	TRC BC Ratio	RI Test BC Ratio	EE Program Charge/kWh	$/lifetime kwh	Participants
2009	81,543	899,331	$123,045	$29,536	3.02		$0.00320	$0.027	106,525
2010	81,275	929,242	$128,864	$29,712	3.73		$0.00320	$0.027	153,611
2011	96,009	1,076,778	$151,542	$39,308	3.35		$0.00526	$0.031	254,747
2012	119,666	1,288,325	$140,104	$50,719	2.24		$0.00589	$0.036	201,351
2013	159,035	1,612,371	$192,418	$72,875	2.24		$0.00862	$0.039	470,245
2014	268,468	3,278,088	$314,673	$80,321	2.69		$0.00911	$0.041	551,882
2015	222,822	2,287,785	$312,000	$82,897	2.38		$0.00942	$0.036	622,822
2016	214,329	2,034,220	$234,234	$74,274	2.16		$0.01077	$0.034	758,284
2017	232,023	2,327,916	$249,986	$90,012	1.91		$0.01124	$0.039	687,141
2018	206,209	1,848,845	$369,835	$88,123	1.88	2.99	$0.00972	$0.048	688,471
2019	190,159	1,624,417	$489,299	$104,620	2.49	3.43	$0.01121	$0.064	668,420
2020	157,346	1,299,159	$533,494	$88,224		4.76	$0.01323	$0.068	637,349
2021	131,365	1,046,790	$477,423	$94,564		3.88	$0.01113	$0.090	418,432
2022	105,036	712,989	$188,289	$80,852		1.99	$0.00956	$0.113	297,957

Business Use

Table 8. Summary of 2009-2021 Natural Gas Energy Efficiency Year End Reports

Year	Annual MMBtu Savings	Lifetime MMBtu Savings	Total Benefits ($000)	Total Spending ($000)	TRC BC Ratio	RI Test BC Ratio	EE Program Charge/Dth	$ per lifetime MMBtu	Participants
2009	195,200	2,553,828	$26,071	$6,552	2.83		$0.150	$2.44	8,339
2010	140,097	2,155,112	$26,309	$5,496	2.31		$0.150	$2.33	5,670
2011	119,613	1,623,922	$18,196	$4,868	2.21		$0.150	$2.73	3,080
2012	229,811	3,300,583	$36,237	$13,310	1.68		$0.384	$3.72	11,681
2013	311,585	4,377,672	$44,747	$19,501	1.78		$0.414	$4.21	135,646
2014	409,029	5,958,381	$50,417	$20,034	2.41		$0.600 (Resi) $0.492 (C&I)	$3.84	143,655
2015	419,778	5,249,170	$54,762	$20,129	2.60		$0.781 (Resi) $0.637 (C&I)	$3.47	146,098
2016	417,820	5,282,221	$51,103	$23,135	1.93		$0.748 (Resi) $0.487 (C&I)	$4.78	150,160
2017	468,211	4,615,034	$70,972	$27,513	1.86		$0.888 (Resi) $0.726 (C&I)	$5.96	112,202
2018	497,119	5,513,499	$113,117	$27,231	2.62	3.11	$0.869 (Resi) $0.671 (C&I)	$4.94	101,423
2019	451,466	4,527,147	$115,736	$30,142	2.17	2.66	$0.715 (Resi) $0.420 (C&I)	$6.66	151,655
2020	318,845	2,960,120	$96,717	$24,598		3.08	$1.011 (Resi) $0.777 (C&I)	$8.31	164,410
2021	316,424	3,454,006	$120,325	$35,680		2.79	$0.871(Resi) $0.596 (C&I)	$10.33	165,233
2022	383,562	3,642,284	$110,274	$31,393		2.77	$1.136 (Resi) $0.620 (C&I)	$8.62	152,624

4.3 Funding Plan and Budgets

Over the 2024-2026 term, the following funding sources may be used each year and the amounts from each source will be detailed in Annual Plans. The electric and natural gas energy efficiency programs are funded by the following sources:

1. A charge on the customer's bill currently labeled "Energy Efficiency Programs" comprised of the existing energy efficiency program charge of $0.00956 per kWh, and $1.136 per Dth for Residential and Income Eligible Customers and 0.62 per Dth for Commercial and Industrial customer, plus an annual fully reconciling funding mechanism charge in accordance with RI Gen. Laws § 39-1-27.7.

2. Revenue resulting from the participation of the Company's energy efficiency resources in ISO-New England's Forward Capacity Market (FCM); these are applied toward the electric plans only.

3. Funds from any state, federal, or international climate or cap and trade legislation or regulation including, but not limited to, revenue or allowances allocated to expand Rhode Island Energy's energy efficiency programs. (Waiting for word on finalizing RGGI funding)

4. Other sources identified by the EERMC and the Company.

The uncertainties associated with these funding sources include company sales, customer co-payments, commitments made for future years, the settlement price for future FCM auctions, identification of additional outside sources of funding, and the Company's success in minimizing costs to maximize customer benefit. Due to these uncertainties, the Company estimates the amount of funding it expects to need in each year of the Three-Year Plan and asks for provisional approval of these amounts to guide the development of future Annual Plans.

The Company intends to continue to work with various market actors (vendors, distributors, designers, and builders) to obtain the best pricing for services to achieve program savings goals while controlling costs. The Annual Plans, including the attached filing of the 2024 Annual Plan, will reflect progress made in leveraging other sources of funding, if applicable. The Company will also coordinate with OER to leverage, when possible, the incentives made available through the Inflation Reduction Act.

5. Performance Incentive Plan

5.1 Proposed Performance Incentive

The Rhode Island Public Utilities Commission approved a performance incentive mechanism (PIM) for 2021 – 2023 in Docket 5076 that changed the way that the Company measures and earns a performance incentive.[8] The PIM, as approved in Docket 5076, established the measurement of performance as a net benefits framework based on a set of prioritized benefit categories. This prioritizes utility system impacts over resource benefits generated by the programs and omits the societal benefits. The "netting" calculation

[8] Refer to Appendix A of PUC Report and Order No. 24225; written order issued on September 21, 2021 for final guidance on the PIM as approved in PUC Docket 5076. http://www.ripuc.ri.gov/eventsactions/docket/5076-NGrid-Ord24225%20(9-21-2021).pdf.

incents budget controls so that the benefits are achieved in line with the portfolio budgets as proposed in the Plan.

Equation 1. Illustrative Calculation of Net Benefits for Performance Incentive Mechanism

$$Total\ Benefits = (100\%\ of\ Utility\ System\ Benefits + 50\%\ of\ Resource\ Benefits)$$

$$Net\ Benefits = (100\%\ of\ Utility\ System\ Benefits + 50\%\ of\ Resource\ Benefits) - (Programmatic\ Costs + Regulatory\ Costs)$$

The PIM measures performance at the sector and fuel level:

- Non-Income Eligible Residential Electric
- Income Eligible Residential Electric
- Commercial and Industrial Electric
- Non-Income Eligible Residential Gas
- Income Eligible Residential Gas
- Commercial and Industrial Gas

The earning opportunity for each portfolio is allocated to the sectors with positive net benefits. The PIM also includes Service Quality Adjustments (SQAs) for those sectors with planned negative net benefits, as calculated above, which require the Company to achieve defined levels of performance equal to the sum of prioritized total benefits. If the defined levels of service (total benefits) are not achieved in the identified sectors, the SQAs apply reductions to any realized earnings in the sectors with earnings opportunities. The SQAs also include a cost component that adjusts the realized performance, and consequently any reduction of earnings, based on how the realized expenditures in the non-earning sectors compare to planned budgets. The SQAs therefore provide a similar incentive signal as the "netting" calculation in the core of the PIM and provide the Company with signals that savings and benefits should be pursued and prioritized in each sector, rather than exclusively the sector(s) where the earning opportunity resides.

In addition, the PIM calculations include a set of potential adjustments that are intended to further incent the company to maintain budget controls in the delivery of savings, and therefore prioritized benefits, by adjusting earnings under this mechanism based on cost relative to budget.

The Company is proposing to retain the structure of the Performance Incentive Mechanism (PIM) adopted by the Commission in Order 24225 in Docket 5076 for the Three-Year term. This structure is aligned with the PUC's PIM principles and was used by the Company in its 2022 and 2023 Annual Plans. While retaining the structure, the Company may propose changes to the inputs in the PIM calculation in the Annual Plans over the three-year Term. Furthermore, the Company may revisit the PIM structure in the 2025 or 2026 Annual Plans as program strategy evolves to accommodate regulatory or policy changes.

6. Analysis of Total Rhode Island Energy Efficiency

To be provided, per the revised LCP standards.

7. Conclusion and Requested Rulings

In accordance with the LCP Standards adopted by the PUC in Docket 23-21-EE, the Company requests that the PUC approve the following:

- Initial three-year energy savings goals and strategies for Energy Efficiency and Conservation Procurement programs and portfolio, provided that such goals may be updated annually.
- Initial three-year budget plan for Energy Efficiency and Conservation Procurement programs and portfolio; provided that specific budgets will be proposed, and approval sought through the annual plans.
- The structure of the performance incentive mechanism proposed herein, with specific goals, earning rates, and provided that the specific earning opportunity is determined in subsequent binding annual plans.

Attachment 1: Energy Efficiency Funding

(Attached Separately)

Attachment 2: Program Level Benefit Cost Summary

Attached Separately)

Attachment 3: Program List by Sector

To be provided in subsequent drafts.

Attachment 4: Definitions

To be provided in subsequent drafts.