

Memo



To: The Energy Efficiency and Resource Management Council (EERMC)
From: EERMC Consultant Team
Date: October 12, 2023
Subject: EERMC Comments for PUC Consideration During 2024-2026 EE Plan Regulatory Review

CONSULTANT TEAM

The Energy Efficiency and Resource Management Council (EERMC or Council) Consultant Team (C-Team) provides this memo to the EERMC to consolidate information that the Council would like to provide to the Public Utility Commission (PUC) for its consideration during the 2024 Annual Energy Efficiency Plan (Annual Plan) and 2024-2026 Three Year Energy Efficiency Plan (Three Year Plan) docket. The memo provides a brief introduction, followed by areas of priority for PUC consideration and a summary of other EERMC input into the plans and associated plan improvements. The C-Team will work with the EERMC's Counsel to raise the targeted areas through pre-filed testimony in Docket 23-35-EE.

INTRODUCTION TO PRE-FILED TESTIMONY

The EERMC is appreciative of Rhode Island Energy's (the Company) effort to review and respond to each of the comments the Council and C-Team provided on all drafts of the 2024-2026 Three-Year and 2024 Annual Energy Efficiency Plans (EE Plans). The Council looks forward to continuing the conversation with the Company to work towards addressing any of our outstanding comments in future program planning efforts. While the EE Plans adequately align with the Least Cost Procurement (LCP) Standards, revised in 2023, to earn the Council's overall endorsement, the Council has provided a set of targeted comments it encourages the Public Utilities Commission (PUC) to consider during the regulatory-review process as opportunities for continued improvement of the EE Plans as filed.

AREAS OF CONSIDERATION FOR REGULATORY REVIEW

Equity

Section 3.2.C of the Least Cost Procurement (LCP) Standards states: "Comprehensiveness. The distribution company shall design EE Plans to ensure that all customers have an opportunity to benefit and realize both near-term and long-lived savings opportunities, and to deliver system-wide and location-specific savings. The programs should be designed and implemented in a coordinated fashion by the distribution company in active and ongoing consultation with the Council. Section 3.2.D of the LCP Standards states that the "portfolio of programs proposed by the distribution company shall be designed to ensure that all customers have equitable opportunities to participate in the offerings of EE Plans and a fair allocation of costs and benefits." The Council and other stakeholders provided a wide range of comments to the Company regarding opportunities to ensure the Plans aligned with these elements of the Standards. While some of this feedback was incorporated into the Plans and will be developed collaboratively in preparation and during 2024 Plan implementation, the Council raises one specific proposal which was not adopted here should the PUC wish to take it up during the docket. Section 3.2.J continues to state that proposed strategies included in EE Plans "shall...strive to increase participation and customer equity.

- The Council requested a commitment from the Company to adopt a roadmap over the course of the upcoming Three-Year Plan program cycle to develop and institute an equity-based component of the Company's Performance Incentive Mechanism (PIM) utilizing the existing service quality

adjustment (SQA) mechanism which has precedent in the current PIM structure. In brief, the roadmap would consist of one step in each year of the Three-Year Plan:

- In 2024, the Company would gather data to track a set of measurable equity metrics agreed upon by the Company and Plan stakeholders, with the purpose of establishing baseline values for these metrics as a reference for future goal setting.
- In 2025, the Company would set non-binding, quantitative goals based on an updated set of measurable equity metrics agreed upon by the Company and Plan stakeholders, which would use the baseline values from 2024 as a reference to assess the appropriate goal values.
- In 2026, the Company would propose a specific goal for a modified set of equity metrics agreed upon by the Company and Plan stakeholders, which would be incorporated into the PIM as an SQA with an agreed-upon dollar amount of PIM earnings placed at risk against the attainment of the specified goal(s). This proposal would be subject to review and final determination by the PUC in the relevant docket.

This request was not incorporated in the filed EE Plans. The Council would welcome a discussion of this proposed equity SQA roadmap as part of this docket if that is of interest to the Commission. Pending that discussion, the Council continues to feel that a commitment to incorporate the development and inclusion of an equity SQA in the Company's PIM would be aligned with a strong theme of stakeholder input emphasizing the importance of equity in Rhode Island's EE programs, and the importance of measuring and tracking performance with respect to equitable program outcomes.

Workforce Development

Section 3.2.E of the LCP Standards requires the EE Plans to, "Build on prior plans. The distribution company shall describe in an EE Plan the recent energy efficiency programs offered and highlight how the EE Plan supplements and expands upon these offerings at the appropriate level of detail, including, but not limited to, new measures, implementation strategies, measures specifically intended for demand or load management, and new programs as appropriate." Section 3.2.L of the LCP Standards reads: "All efforts to establish and maintain program capability shall be done in a manner that ensures quality delivery and is economical and efficient. The distribution company shall include wherever possible and practical partnerships with existing educational and job training entities."

- Spending for Workforce Development activities was halved between the first draft EE Plans and filed EE Plans (\$225,000 to \$107,000 planned for 2024). The filed EE Plans also include planned spending for Workforce Development that is about half of that included in the approved 2022 and 2023 Annual Plans (\$225,000). The Company expressed the intent to leverage existing entities to deliver workforce training as opposed to using ratepayer funds to support all training, a strategy that has been successfully implemented in places such as Massachusetts. However, the Plan does not include detailed descriptions of the following:
 - How RI Energy will oversee workforce training implemented by other entities to ensure that key areas and technologies for energy efficiency program activity are covered comprehensively
 - How much funding will be provided to these entities to provide training

- What efforts will be conducted to improve workforce diversity, an issue that was identified as a challenge in the Workforce Needs Assessment¹ and Small Business Process Evaluation²
- What the anticipated impacts of this type of support would be for future EE program cycles, or how the impacts would be measured (e.g., number training recipients for a particular topic or skill, number of newly certified professionals, or estimated increase in program activity in 2025 as a result of increased workforce capacity supported by these investments, for a few examples of possible measurements).
- Sufficient detail was provided for trainings related to state building energy codes, so the Council would like to see a similar level of detail in other areas. In addition, RI Energy should commit to providing regular updates, on behalf of the entities conducting workforce training, to the Council and other stakeholders to support transparency and oversight. These updates should describe the subject matter of trainings, number of trainings conducted, number of attendees at each training, and total spending on workforce training. In addition, RI Energy and the training organizations should implement a mechanism to occasionally survey the workforce to solicit feedback on trainings and understand what additional trainings and resources are required to facilitate workforce development, hiring, and retention.
- The Company acknowledged difficulties in hiring a multilingual workforce, and while there are some existing resources like multilingual staff at RISE and online translation/interpretation, the Company indicates that language access is an ongoing challenge without discussing potential solutions in the EE Plans. The Equity Working Group proposed several recommendations to ensure that the programs provide consistent and comprehensive resources for non-English-speaking customers. The Council would like the Company to commit to implementing strategies included in a comprehensive Language Access Plan, as recommended in the EERMC Priorities for the 2024-2026 EE Plans³. Implementing such strategies would support language access and include tracking of relevant metrics proposed by the Equity Working Group.

Comparison of Goals to Savings Targets

Section 3.2.G of the LCP Standards states: “Plan based on potential assessments. At a minimum, the distribution company shall use any Targets⁴ and other Report recommendations approved by the PUC pursuant to Chapter 2 as a resource in developing its Three-Year Plan. The distribution company shall include in its Three-Year Plan an outline of proposed strategies to supplement and build upon these assessments of potential. The distribution company may also use other assessments or Report recommendations, provided that such assessments or Report recommendations were not previously and specifically rejected by the PUC.” Section 3.2.J goes on to state that, “EE Plans shall be developed to propose strategies to achieve the energy efficiency savings targets that shall be proposed by the Council and approved by the PUC for that three-year period. Such strategies shall secure energy, capacity, and system benefits and also be designed to ensure the programs will be delivered successfully, cost-effectively, and cost-efficiently over the long term. In addition to satisfying other provisions of these

¹ <http://rieermc.ri.gov/wp-content/uploads/2023/08/rie-workforce-needs-assessment-final.pdf>

² http://rieermc.ri.gov/wp-content/uploads/2023/08/ri-small-biz-report_final-08.01.23.pdf

³ See Page 6: http://rieermc.ri.gov/wp-content/uploads/2023/05/eermc-2024-2026-plan-priorities_approved-23.03.16.pdf

⁴ The PUC has yet to rule on the EERMC-recommended energy savings targets for the 2024-2026 Plan period included in Commission Docket 23-21-EE (<https://ripuc.ri.gov/Docket-23-21-EE>)

Standards, the EE Plans shall contribute to a sustainable energy efficiency economy in Rhode Island, respond to and transform evolving market conditions, strive to increase participation and customer equity, and provide widespread consumer benefits while advancing the requirements of the Act on Climate.”

- As noted during the discussion and RI Energy presentation at the September 28th EERMC meeting⁵, the current Annual and Three-Year EE Plans represent investments with strongly favorable benefit cost ratios, significant cost savings for customers relative to procuring additional supply, and robust bill savings over the lifetime of the program’s investments that will yield real pocketbook benefits for electric, gas, and delivered fuel customers in Rhode Island. Each of these factors together indicate that energy efficiency is a highly attractive, economically sound investment for Rhode Islanders, which has significant potential to grow, per the EERMC’s recent MPS Data Refresh. Without losing sight of other elements of the Standards, including considerations of prudence which may include consideration of near-term rate impacts, the Council believes that the Company’s plans could, and should, seek to invest more in EE in 2024 and subsequent years, driving more energy and pocketbook savings for Rhode Islanders.
- The Council acknowledges the Company’s efforts in developing 2024-2026 EE Plans with more ambitious electric savings goals that exceed 2022 year-end actuals and the 2023 Plan. The Council strongly encourages the Company to respond to the importance of EE for meeting Act on Climate goals and the importance of delivering long-term value to customers, and request approval to pursue additional incremental savings more rapidly than the EE Plans currently contemplate.
- Additionally, the Council recommends that the Company develop a bottom-up assessment of the savings that could be obtained with a specified incremental budget allocation, which would be a positive step in effectively assessing the tradeoff between further EE budget allocations and the benefits that would accrue to Rhode Islanders from such an incremental allocation.

Sector-Specific Areas of Consideration

Section 6.2.B of the LCP Standards states: “In addition to the other roles for the Council indicated in this filing, the distribution company shall seek ongoing input from, and collaboration with, the Council on development of the EE Plans.” In support of this element of the Standards, the Council highlights a small subset of sector specific suggestions raised by the Council during development of the EE Plans for the Commission’s consideration.

Pre-Weatherization Barriers: The Council continues to strongly recommend a commitment towards finding solutions to addressing Pre-Weatherization barriers. The Plan did not include any detail about how the Company might leverage EE funds to address these barriers, as it stated in the EnergyWise Single Family program description. The Council did receive comments from the Company citing low program BCRs as a potential challenge for incorporating support for barrier remediation. The Council understands the Company’s hesitation to potentially put pressure on the cost-effectiveness of individual programs and recommends that the Company include funding for a pilot or demonstration to explore the efficacy of a dedicated barrier remediation initiative for potential integration into future program offerings.

⁵ See slides 4-5: <http://rieermc.ri.gov/wp-content/uploads/2023/09/rie-plan-presentation-for-eermc-9-28-2023.pdf>

Electric-Resistance Heating in the C&I Sector: Given the robust cost-effectiveness of converting electric-resistance-heating systems to heat pumps, the PUC directed the Company to develop a plan to target such conversions for income-eligible customers. Given the historical focus on residential customers for these conversions, the Council requested more insights into the prevalence of electric-resistance heating for small businesses and how federal and state funds will be used to support conversions to heat pumps. The OER Clean Heat RI program has been launched, but the EE Plans are vague about how the OER program will complement RIE offerings.

- Since the Clean Heat RI program only incentivizes heat pumps, customers with poorly insulated buildings may install new heating systems that fail to meet HVAC needs or result in increased energy burdens. It is important to ensure that customer sites are appropriately insulated to ensure right-sizing of heat pumps, optimize heat-pump performance, and reduce heating and cooling bills.
- The Council would like the EE Plans to provide greater detail on strategies to co-deliver the OER Clean Heat RI program and existing EE programs to fill participation gaps and maximize benefits to ratepayers. The Council recommends that the Company develop a plan to displace electric-resistance heating in small businesses, similar to that which is being developed for the income-eligible sector. In addition, the Council recommends that the Company develop a plan to target small businesses that install heat pumps, whether through the OER Clean Heat RI program or through EE programs, with weatherization opportunities.

Small Business Programs: In the EE Plans, the SBDI eligibility threshold has been expanded from 1.0 to 1.5 million kWh annual consumption, but this was not coupled with an increase in savings goals or a target for participation by small/microbusinesses. The Company indicated that the expansion is meant to close the participation gap for customers between 1.0 and 1.5 million annual kWh, but this segment is reported to have participation consistent with other mid-large-sized energy users. Of all consumption groups within the RI C&I customer demographic, customers between 1.0 and 1.5 million annual kWh have the third highest participation rate at 59% according to 2022 data provided by the Company. Contrarily, the smallest customer class, which comprises over 90% of unique customer accounts, has the lowest participation rate. The Council acknowledges the difficulty that comes with serving a larger share of customers. However, the Council believes it necessary to highlight that expanded eligibility for the SBDI program without a commensurate increase in SBDI savings goals may result in further inequity for the smallest customers under 100,000 annual kWh who already have the lowest participation rates. The Council recommends that the EE Plans include an increase in SBDI savings goals, relative to goals set prior to the expansion of eligibility criteria, based on the additional consumption and estimated savings opportunities for customers consuming between 1.0 and 1.5 million annual kWh. The Council also recommends that the EE Plans include a specific target for participation achieved by customers who consume less than 100,000 annual kWh.

RI C&I Customer Demographic Analysis (by Electric Consumption Category)

