

# Memo



**To:** The Energy Efficiency and Resource Management Council (EERMC)  
**From:** EERMC Consultant Team  
**Date:** January 25, 2024  
**Subject:** Summary of PUC Rulings in Docket 23-35-EE

CONSULTANT TEAM

## INTRODUCTION

The Rhode Island Public Utilities Commission (PUC) conducted hearings on Rhode Island Energy's (the Company) 2024-2026 Three-Year and 2024 Annual Energy Efficiency Plans (EE Plans) on December 12<sup>th</sup>, 13<sup>th</sup>, and 14<sup>th</sup> of 2023. Following the conclusion of the hearings, the PUC then conducted Open Meetings on December 19<sup>th</sup> and 21<sup>st</sup> of 2023 to review, discuss, and make rulings on the EE Plans. This memo summarizes the rulings that the PUC made at its Open Meetings related to the EE Plans.

## DECEMBER 19, 2023 OPEN MEETING

At the PUC's December 19<sup>th</sup>, 2023 Open Meeting<sup>1</sup>, the Commission covered topics related to the calculation of the Company's performance incentive, the 100% moderate income weatherization incentive offering, utilization of the low-income discount rate as a benefit, calculation of cost of supply, the Council's budget, and federal funding coordination. The Commission noted that it would be deferring consideration on the 2024-2026 EE Plan until after it receives a response from the Company on its ruling related to federal funding coordination (see commentary below).

### Performance Incentive<sup>2</sup>

#### Ruling:

The Commission directed the Company to file a revised schedule recalculating the 2024 Gas and Electric Performance Incentives incorporating the following three changes.

1. Weigh other resource benefits at 35%,
2. Set the electric payout incentive at 7% for residential and commercial and industrial (C&I) sectors, and
3. Set the gas payout incentive at 10% for the C&I sector

#### Key Notes:

- The Commission requested that the Company provided the revised schedule to inform their rulings on the 2024 EE Plan on December 21<sup>st</sup>, 2023
- This ruling:
  - Reduces weighting of other resource benefits (e.g. delivered fuels such as oil and propane savings) in the calculation of the eligible performance incentive
  - Reduces the available performance incentive earnings opportunity

<sup>1</sup> A recording of the PUC's Open Meeting is available online at: <https://video.ibm.com/recorded/133246786>. Discussion on the EE Plans begins at approximately the 15:00 mark in the recording.

<sup>2</sup> See discussion beginning at 17:10 with the ruling being made at 33:10 of the video linked in footnote 1.

### 100% Moderate Income Weatherization Incentive Offering<sup>3</sup>

#### Ruling:

The Commission disallowed the moderate income proposal as filed while maintaining the EnergyWise Single Family budget.

#### Key Notes:

- The Commission did not approve the Company's proposal to continue the 100% moderate income weatherization incentive offering utilizing system benefit charge (SBC) funds in place of Regional Greenhouse Gas Initiative (RGGI) funds that were used in 2023.
- Some considerations related to this ruling include:
  - Office of Energy Resources (OER) originally allocated RGGI funds to the Company for this offering as a response to the COVID-19 pandemic, and the conditions for the rational of this offering have changed.
  - The Company did not provide sufficient information on the performance of the program or how much of the budget for the EnergyWise Single Family Program, where this offering is located, would be allocated to this offering.
  - Concerns about what the Company would do if they hit or exceeded the program budget.
- Ruling did not alter the overall budget of the EnergyWise Single Family Program

### Low Income Discount Rate<sup>4</sup>

#### Ruling:

The Commission directed to remove low-income discounts from the cost of supply and benefit cost calculations for all future filings.

#### Key Notes:

- The main driver for this ruling was the discovery that the use of the low income discount as a benefit was resulting in double counting since the Company's low income discount rate was already captured in its cost of supply calculation.
- This ruling did not impact the 2024 EE Plan, but will be reflected in future EE Plans

### Cost of Supply<sup>5</sup>

#### Ruling:

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<sup>3</sup> See discussion beginning at 34:40 with the ruling being made at 39:28 of the video linked in footnote 1.

<sup>4</sup> See discussion beginning at 39:40 with the ruling being made at 40:20 of the video linked in footnote 1.

<sup>5</sup> See discussion beginning at 41:20 with the ruling being made at 44:40 of the video linked in footnote 1.

The Commission moved that the annual plan filing for 2025 calculate the cost of supply as follows.

1. That the calculation includes the forecasted intrastate costs including two versions with and without the avoided costs of delivered fuel.
2. The cost of supply shall be shown both on a portfolio basis and a program-by-program basis.
3. For any program that has a forecasted cost that is greater than the cost of supply in the intrastate calculation which excludes delivered fuels, the filing should provide a justification for why the specific program should be nevertheless approved even though the program costs exceed the calculated avoided cost of supply.

**Key Notes:**

- Motivated by desire to evaluate program costs and benefits to Rhode Island electric and gas ratepayers via impacts to their electric and gas rates and bills
- Creates several versions of the cost of programs versus cost of supply to reference when evaluating programs
- Requires Company to provide justification for why programs that have costs greater than the cost of supply when out-of-state costs and benefits and delivered fuels benefits are excluded should still be approved.

**EERMC Budget<sup>6</sup>**

**Ruling:**

The Commission moved to establish a budget of \$991,000 for the EERMC.

**Key Notes:**

- Essentially level-sets the Council’s budget allocation at a level approved for 2023
- The PUC indicated that the Council would be permitted to return with a filing for additional funding in 2024 if the following conditions are met:
  - Council gets through part of the year carrying out its proposed activities and has something that it identifies as very important that requires additional budget
  - Council demonstrates that it is not able to shift around funds within its approved budget
  - Request for additional funding does not exceed Council’s statutory cap

**Federal Funding Coordination<sup>7</sup>**

**Ruling:**

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<sup>6</sup> See discussion beginning at 46:20 with the ruling being made at 48:35 of the video linked in footnote 1.

<sup>7</sup> See discussion beginning at 48:50 with the ruling being made at 51:15 of the video linked in footnote 1.

Within 90 days Rhode Island Energy will provide information needed to inform how RI Energy allocates funding from the SBC to energy efficiency programs and measures when federal funded energy efficiency offerings are made available by the State Energy Office. The Commission will expect the Company to prioritize measures and programs that are consistent with the Least Cost Procurement statute. Specifically, the Company should show how it plans to prioritize electric and natural gas energy efficiency measures and programs that are lower than the cost of additional electric and natural gas supply and cost effective. The Company will provide the following analysis.

- A) They will identify all inflation reduction act energy efficiency incentives for measures including pre-weatherization that are included in the Company's Three Year or Annual EE Plan.
- B) For each identified measure, specify:
  - a. annual and lifetime electric and natural gas and delivered fuel savings per measure and to extent possible planned quantities
  - b. measure level cost BCR using all benefits listed in tables E-6 and G-6 excluding economic benefits
  - c. measure level cost BCR excluding non-electric, non-gas, and societal benefits in Table E6/G6
  - d. measure level energy efficiency cost per lifetime kWh and cost of supply per lifetime kWh
  - e. measure level energy efficiency cost per lifetime kWh and cost of supply per lifetime kWh excluding delivered fuel benefits and costs.
- C) For each identified measure, answer the following questions:
  - a. Should it be funded by SBC?
  - b. If the answer is yes, specific whether measure should be fully or partially funded by SBC
    - i. If the measure should be fully funded by SBC, please explain whether and how this recommendation is consistent with LCP statute.
    - ii. If the measure should be partially funded by SBC, please explain basis for allocating costs between ratepayers and federal funds and how this recommendation is consistent with the LCP principles.

**Key Notes:**

- Sets expectation for the Company to be more proactive (as opposed to reactive) when determining how its Programs will integrate with programs that the State will offer once federal funds are received.

**DECEMBER 21, 2023 OPEN MEETING**

At the PUC's December 21<sup>st</sup>, 2023 Open Meeting<sup>8</sup>, the Commission indicated that it was. The Commission did not engage in much discussion during this Open Meeting, as they were simply focused on approving savings goals, budgets, and associated SBC rates for the 2024 EE Plan. The PUC made the following motions:

- Approve the gas and electric budget and savings goals in the 2024 EE Plan, as modified by the Commission through previous motions and requested compliance filing
- Authorize the Company to implement the programs as proposed and modified by the Commission through previous motions
- Approve specific SBC rates for the electric and gas programs

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<sup>8</sup> A recording of the PUC's Open Meeting is available online at: <https://video.ibm.com/recorded/133250369>. Discussion on the EE Plans begins at approximately the 4:00 mark in the recording.