STATE OF RHODE ISLAND

INTER-DEPARTMENTAL MEMORANDUM

Date: August 26, 2025

To: Max Righter
Administrator of Purchasing Systems
Department of Administration
Division of Purchases

From: Steven Chybowski
Administrator, Energy Efficiency Programs
Office of Energy Resources

Subject: **Evaluation of Proposals Submitted in Response to RFQ # 25005145 – OER Phase 3 Energy Efficiency Administrator**

Review Process and Recommendations

The Technical Review Committee for RFQ # 25005145 – OER Phase 3 Energy Efficiency Administrator is comprised of the following individuals:

Name	Department	Title
Steven Chybowski	Office of Energy Resources	Administrator, Energy Efficiency Programs
William Owen	Office of Energy Resources	Energy Policy Regulatory Manager
Sarah Doherty	Office of Energy Resources	Thermal Decarbonization Manager

* Note: Karen Bradbury, the former Administrator of Energy Legislation and Programs for the Office of Energy Resources, participated in the first two phases of this procurement process until May 28, 2025 when she left that role with OER and became a PUC Commissioner in June 2025.

Additionally, the following individuals participated in the process serving as advisory members to the Technical Review Committee:

Name	Organization	Role
Jim Kennerly	Sustainable Energy Advantage, LLC	OER Technical Consultant
Peter Gill Case	Energy Efficiency and Resource Management Council	Energy Design and Code Representative

Priscilla De La Cruz	Energy Efficiency and Resource Management Council	Residential Representative
Craig Johnson	Optimal Energy, an NV5 Company	EERMC Technical Consultant

* Stephan Wollenburg, a former technical consultant to OER from Sustainable Energy Advantage, LLC, participated in the first two phases of this procurement process until April 2025, and was replaced by Jim Kennerly.

This procurement has consisted of three phases. The Phase 1 scoring occurred in QLV # 24003654 – OER Phase 1 State of Rhode Island Energy Efficiency Program Administration. This phase identified two vendors out of four submissions that were deemed to be technically qualified to serve as the energy efficiency program administrator, who were subsequently invited to submit cost proposals through an RFQ. The two vendors that met the minimum scores to qualify (85 out of a maximum of 100 points) were the Narragansett Electric Company d/b/a/ Rhode Island Energy, who received a phase 1 technical score of 85.2, and VEIC, who received a technical score of 92.6.

The Phase 2 evaluation occurred as RFQ # 25005145 – OER Phase 2 Energy Efficiency Administrator. The Phase 2 review consisted of assessing the lowest-cost bid of the technically qualified vendors for these services. Both vendors submitted cost proposals responsive to the request. In this phase and evaluation, the Narragansett Electric Company, d/b/a Rhode Island Energy provided an implementation budget[1] of $125,328,200 and VEIC provided an implementation budget of $130,468,000. Rhode Island Energy had the lower cost proposal by a difference of $5,139,800 or 4 percent.

In the third phase of the evaluation, RFQ # 25005145 – OER Phase 3 Energy Efficiency Administrator, additional proposal benefits and costs have been evaluated. While the VEIC bid had higher projected net benefits than the one provided by RIE, the Technical Review Committee did not assess this increase in net benefits as sufficient to outweigh the added costs and risks (both quantified and unquantified) associated with the transition. OER staff details herein the process that led to this conclusion. **After careful consideration, the Technical Review Committee, comprised of Office of Energy Resources (OER) staff, has accepted the proposal from the Narragansett Electric Company, d/b/a Rhode Island Energy (RIE) to continue serving as the energy efficiency program administrator**.

Evaluation of Vendor-Sourced Quantifiable Benefits and Costs

To compare the net benefits of different energy efficiency program administrators in this procurement, OER asked each bidder to submit budget proposals for one full year of energy efficiency programming for both electric and gas portfolios. We also asked each vendor to submit their expected program benefits based on their budgets, a process that is common for energy efficiency programs. VEIC submitted a program proposal which would yield total benefits amounting to $371,700,829 with a benefit-cost ratio of 2.45. RIE submitted a program proposal which would yield total benefits amounting to $321,119,747 with a benefit-cost ratio of 2.13. This results in an overall benefit-cost differential of 0.32 in favor of VEIC's proposal, or $50,581,082 (16%) of additional benefits with an increase in budget of $5,139,800 (4%). However, the benefits in VEIC's

[1] Note that this includes costs for administering the programs and regulatory costs (i.e., statutory allocations for the Rhode Island Infrastructure Bank, the Office of Energy Resources, and the Energy Efficiency and Resource Management Council).

proposal also included an anomalous value for commercial refrigeration from VEIC. Upon further review by the Technical Review Committee, it appears that VEIC's total measure estimates in that category are higher than the most recent market potential study suggests is technically feasible in Rhode Island. Upon removing this category from each vendor's benefit-cost submissions to make a one-to-one comparison, this would bring VEIC's total benefits and benefit-cost ratio down to $357,116,219 and 2.38 respectively, and RIE's total benefits and benefit cost-ratio down to $318,236,181 and 2.11, respectively. In the absence of commercial refrigeration benefits and costs, VEIC's proposal would yield $38,880,038 more benefits than RIE's with an adjusted benefit-cost differential of 0.27. This assessment as a starting place does suggest that VEIC is proposing a more cost-effective program, but this BCA comparison does not take into account any of the additional transitional costs associated with this change, which are described in more detail below.

Evaluation of Transitional Costs and Other Considerations

While the Technical Review Committee considered overall net benefits of the proposals, it also considered the distribution of spending across budget categories, quantifiable and unquantifiable transition costs and risks, and the feasibility of expected cost and benefit estimates, as was described during the question-and-answer period.

One consideration in the process of determining whether to switch to a third-party administrator (TPA), and away from the incumbent electric and gas energy efficiency program administrator, RIE, is the nature of the change in administrative structure and process for the programs. A major value of RIE's energy efficiency programming is that said programs are consistently available to RIE's customers throughout Rhode Island without undue disruption. Indeed, and relative to other state energy efforts with a higher profile, these programs largely operate in the background of overall energy programming and planning, while still permitting investments that:

- Confer participant bill savings and comfort regardless of season;
- Right-size RIE's total capital, operating, and financing costs necessary to meet energy demand (and recovered from ratepayers); and
- Have direct regulatory oversight provided by the Public Utilities Commission.

A comparison of the two processes (the current process and a potential new process in which a third-party administrator is empowered to manage the programs) is shown in Figure 1 and Figure 2 below.

Figure 1: Current Administrative Process Associated with Utility Administrator

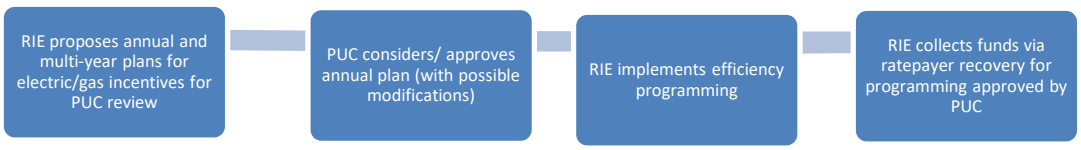

Figure 2: Potential/Revised Administrative Process Associated with Third-Party Administrator

Given the gravity of this potential shift and the risks inherent in it, the Technical Review Committee believes that the net benefits of shifting to a new vendor need to be clearly in excess of those offered by RIE, and also must be clear even after accounting for total transitional costs. Though the VEIC proposal offered greater net benefits and a higher benefit cost ratio under the Rhode Island Test, these did not account for the total transitional costs borne by both the vendors and OER, the Public Utilities Commission (PUC), the Division of Public Utilities and Carriers (DPUC), or any other State entities that may seek to be parties to any transition dockets or processes. To switch vendors and attempt to achieve the additional net benefits that VEIC's proposal would yield when compared to RIE, the vendors (RIE and VEIC) estimate that they would need to collectively spend $1,839,451 to transition the program, between both one-time transitional costs[2] and recurring costs[3] to support a new efficiency administrator. In addition to the transition costs for the vendors involved, OER assumes that it would also be incurring additional administrative costs and obligations with the State purchasing process including oversight of the administrator and their subcontractors as the contract holder with the potential third-party administrator, and we conservatively estimate these costs to be $175,250 annually[4], for a total of $876,250 over the 5-year period of performance.[5]

Assessing Other Transitional Risks for Energy Efficiency Programs and Investments

Overall, the Technical Review Committee believes that consideration of the obligatory procurement, as well as continuing to preserve its option to pursue the procurement of the services of a TPA in the future, is critical to incentivizing RIE to offer the best, most innovative and cost-effective energy efficiency programs

[2] One time transition costs include VEIC's proposal of $843,600 and RIE's proposal of $173,350.
[3] RIE's plan proposed $822,501 of recurring costs through 2032.
[4] This cost would cover staffing requirements necessary to manage a potential programmatic transition between program administrators, ensuring that programming is meeting its contractual requirements, resolving any issues between parties, and ongoing management of the programming and was noted in the budget template provided to respondents.
[5] Though the evaluation team did not quantify costs associated with non-OER state entities, these values can reasonably be assumed to be non-zero.

possible, and thereby make a major contribution to meeting the State's 2021 Act on Climate requirements. Fundamentally, however, the Technical Review Committee believes there are other critical factors beyond higher direct costs to ratepayers and other quantified and unquantified transitional costs that must be considered in the risk calculus associated with a transition to a different vendor than RIE.

These factors include:

- **Increasing Focus on Energy Affordability:** The Technical Review Committee is highly cognizant of the fact that VEIC's proposed increase in spending (an additional $5,139,800 over the period of performance) to achieve these additional savings comes at a challenging time for utility consumers writ large. This is particularly true following an unusually cold winter when customer utility bill costs are a major concern for constituents. Both RIE and VEIC proposed budgets that were higher than the previous year's energy efficiency program budget and are inconsistent with the current trend of approved energy efficiency budgets by the PUC, which has seen a steady decrease in spending by approximately 20% over the past five years, with VEIC proposing the higher of the two budgets. Given these concerns, the State is focused on right-sizing the efficiency program budget to balance short-term affordability concerns and long-term energy efficiency savings to ensure that customers are not burdened with higher-than-necessary utility bills, particularly in the coldest months of the year, and following several years of consumer cost inflation driven by the COVID-19 pandemic, related supply chain disruption, and various monetary and fiscal policy responses to the pandemic.
- **Enhanced Federal Policy Risk and Related Energy Efficiency Market Risk for Rhode Island:** The Technical Review Committee also considered the passage of a federal reconciliation bill that will sharply reduce or eliminate consumer-facing federal incentives for eligible energy efficiency measures, as well as ongoing risks to federal grant funding provided to Rhode Island and its regional partners. Furthermore, federal trade tariffs, especially for measures heavily influenced by the cost of raw or finished materials, parts, or other goods sourced from or assembled in foreign countries, remain a major risk for the cost of eligible energy efficiency incentives – especially for air- and ground-source heat pumps and other eligible HVAC equipment. The Technical Review Committee is concerned that such underlying increases in capital costs for new measures could potentially disrupt market activity within critical contractor networks, and further concerned that layering on a transition period to a TPA from RIE at this particularly disruptive and uncertain moment could potentially create further uncertainty for said contractors and the market writ large.
- **Other Procurement Risks for Future Consideration:** The Technical Review Committee also notes that third-party energy efficiency program administration, when structured as a contract between the State and any selected vendor, would also add risks regarding future procurements. For example, under such an arrangement, the State would be obligated to re-procure these services at the end of each contractual agreement, and thus prior to the termination of any given agreement, program implementation risk would be re-introduced in multiple ways.
    - First, it is possible that no vendor chooses to bid on the service in a future procurement, including the incumbent service provider. This would leave the State with limited time to re-staff and re-establish the efficiency programs.
    - Second, since this is not a service that is procured with regularity within Rhode Island or in other jurisdictions, it is possible that a lack of competition could pose challenges to program implementation, such as a more limited incentive for efficiency on behalf of a TPA.

Despite these potential risks, OER does not see them as dispositive in preventing or ruling out such procurements in the future, but instead as considerations for a potential future procurement round for said services.

Conclusion

VEIC has submitted a strong proposal. The firm has demonstrated that they have the capabilities to run and manage statewide efficiency programs, and that they have innovative solutions for programming. Their technical proposal showed that they have experience delivering these programs in different jurisdictions. In isolation, their proposal did provide a higher benefit-cost ratio for efficiency programming than RIE's proposal, but this is not the only factor that needs to be considered when selecting the State's energy efficiency program administrator. RIE has extensive experience administering efficiency programming within Rhode Island and has demonstrated longstanding collaboration with vendors for program delivery.

The OER Technical Review Committee believes that RIE is the right choice to continue as the energy efficiency program administrator for the reasons described above. Per R.IG.L. 39 -2-1.2 (o)(viii), OER does not recommend the advancement of a new third-party administrator at this time, and that the energy efficiency program shall continue to be administered by the electric and gas distribution company, the Narragansett Electric Company, d/b/a Rhode Island Energy (RIE).

We want to be clear that OER reserves the right to reissue an RFP for these services in the future at our discretion, which we will exercise if we determine that the efficiency services are not sufficiently meeting expectations and the needs of customers. These expectations include, but are not limited to, delivering on the activities described in the RIE proposal, including publishing a public-facing dashboard for all stakeholders to be able to monitor energy efficiency program performance, for the iEnergy system to improve the customer qualification and enrollment process and programmatic data sharing capabilities where applicable, and for programming to exceed 2024's achievements in percentage of lifetime savings goals for the electric and gas portfolios. This process has demonstrated that, while limited, there are other qualified firms out there able to carry out these programs and that we will expect RIE, as the chosen vendor, to achieve their set targets and continue to innovate and find new approaches to deliver solutions and savings.