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From: Craig Johnson <Craig.Johnson@nv5.com>
Sent: Wednesday, September 17, 2025 12:59 PM
To: Righter, Max (DOA)
Subject: Energy Efficiency Council Advisory Member Perspectives on RFQ25005145
Attachments: EEC Advisory Member Perspectives_09.16.2025.pdf

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Good Afternoon Max – I have been working with EERMC members Peter Gill Case and Priscilla De La Cruz as their technical consultant throughout their advisory role as part of OER’s Energy Efficiency Administrator procurement. My understanding is that you are in the process of reviewing OER’s Phase 3 evaluation of proposals. As non-voting participants in the process from start to finish, Peter and Priscilla collectively have substantially differing perspectives from OER that we felt might be helpful for you to have alongside OER’s decision memo. The attached memo documents their perspectives on the overall process and OER’s final decision.

As Advisors representing EERMC, we consistently advocated with OER for proper administration and evaluation of the statutory selection criterion – net benefits to the state. OER’s evaluation memo submitted to Purchasing in support of its proposed selection concedes that VEIC’s proposal provides more net benefits.


We will be making our memo available to the public once your office has rendered a decision.

If you have any questions, please don’t hesitate to reach out.

Best,
Craig

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MEMO



TO: Max Righter
FROM: Peter Gill Case and Priscilla De La Cruz
DATE: September 17, 2025
RE: EEC Advisory Member Perspectives on RFQ #25005145

OVERVIEW

In 2023, Rhode Island enacted legislation (Chapter 300 of the Public Laws, H5853 Substitute A) requiring the Office of Energy Resources (OER) to conduct a competitive procurement process to select a Program Administrator responsible for designing and implementing the state's electric and gas energy efficiency programs. The law mandated that the Energy Efficiency and Resource Management Council (EERMC), also known as the Energy Efficiency Council (EEC or "the Council"), be actively involved in this process. Specifically, OER was required to consult with the Council in developing the request for proposals (RFP), evaluating submissions, and selecting the administrator—ensuring that the Council's expertise and oversight continue to guide Rhode Island's energy efficiency strategy.

The solicitation was broken up into four phases, each of which is briefly described below.

- **Phase 1 – Technical Proposal:** In this initial phase, vendors submitted technical proposals detailing staff qualifications, organizational capacity, and a comprehensive work plan. Proposals were initially scored out of 90 points, with 75 points required to advance to the interview portion of Phase 1. The interview adds up to 10 additional points. In order to move on to Phase 2, vendors were required to receive a minimum score of 85 out of 100 points. Vendors were scored on the following categories:
 - Staff Qualifications (Maximum 10 points)
 - Capability, Capacity, and Qualifications of Vendor (Maximum 40 points)
 - Work Plan (Maximum 40 points)
 - Interview (Maximum 10 points)
- **Phase 2 – Cost Proposal:** Qualified vendors from Phase 1 were then invited to submit cost proposals and supporting documentation to enable a benefit-cost analysis in Phase 3. Vendors were required to provide a budget proposal that used standardized costs and benefits components, anticipated transition costs, expected costs and benefits for calendar year 2027, and a narrative component that explained proposed budgets and benefits. This phase was focused purely on financial competitiveness (i.e. lowest cost) while maintaining technical standards established in Phase 1.
- **Phase 3 – Benefit Cost Analysis:** The purpose of this phase was to conduct and assess a benefit-cost analysis of the cost proposals received to determine which vendor offered the greatest net benefits to Rhode Island's electric and gas customers. In doing so, this analysis is meant to evaluate the overall value and impact of each proposal beyond just determining which is the lowest cost.
- **Phase 4 – Public Utilities Commission (PUC) Review:** This final phase would only come in to play if OER's recommendation based on the outcomes of the preceding phases was to select a third-party administrator (i.e. not Rhode Island Energy). If this process were to play out, the selected

vendor would then be required to participate in hearings with the PUC who would ultimately have the final say as to whether the recommended vendor would replace Rhode Island Energy for the administration of the energy efficiency programs.

At the conclusion of this process, OER has recommended that the administration of the energy efficiency programs remain with Rhode Island Energy. This memo summarizes the outcomes of this process, including the results of each phase of the procurement and our perspectives regarding OER’s final decision.

PHASE 1 – TECHNICAL PROPOSAL

Phase 1 of the procurement process generated proposals from four vendors, including Rhode Island Energy, Vermont Energy Investment Corporation (VEIC), InClimate, Inc., and TRC Engineers LLC. Following a thorough evaluation process of each proposal, it was determined that only Rhode Island Energy and VEIC met the minimum threshold of 75 out of 90 points to advance to the interview stage. Following interviews, Rhode Island Energy and VEIC each were awarded additional points.

Table 1: Summary of Vendor Scores in Phase 1

Scoring Category	Maximum Score	VEIC	Rhode Island Energy	TRC	InClimate
Staff Qualifications	10	10	8.9	8.9	5.6
Capability, Capacity, and Qualifications of the Vendor	40	38.6	37.5	33.5	30.8
Work Plan	40	35.0	31.8	18.5	19.4
Interview	10	9.0	7.0	n/a	n/a
Total Points	100	92.6	85.2	60.9	55.8

At the conclusion of Phase 1, VEIC achieved the highest score, including the highest score in each of the four scoring categories, and exceeded the minimum score by 7.6 points to advance to Phase 2. Rhode Island Energy received the second highest score and exceeded the minimum score by 0.2 points to advance to Phase 2.

PHASE 2 – COST PROPOSAL

In Phase 2 of the procurement, Rhode Island Energy and VEIC each submitted proposals that included program costs for administering energy efficiency programs in 2027. Their proposals included program budgets that were inclusive of implementation costs, regulatory cost (i.e. Council, OER, and Rhode Island Infrastructure Bank allocations, and a design-level performance incentive).

Table 2: Implementation Budgets Proposed by Vendors in Phase 2

Portfolio	VEIC	Rhode Island Energy
Electric Portfolio	\$96,309,880	\$86,957,749
Gas Portfolio	\$34,158,420	\$38,370,519
Total	\$130,468,300	\$125,328,268

Since Phase 2 did not include scoring guidelines, the result is that Rhode Island Energy provided the lower cost proposal. Rhode Island Energy’s proposal was \$5,140,032 (or 3.9%) lower than VEIC’s proposal. Phase 2 was structured so that up to three of the lowest cost proposals could move on to Phase 3. Because there were only two proposals that advanced to Phase 2, and because they both submitted the required materials for conducting a benefit cost analysis, Rhode Island Energy and VEIC were both automatically advanced to Phase 3 of the procurement.

PHASE 3 – BENEFIT COST ANALYSIS

Phase 3 of the procurement was designed to utilize information provided in Phase 2 to conduct a benefit-cost analysis to determine which bidder would be likely to achieve the most net benefits for electric and gas customers in Rhode Island. When conducting a benefit-cost analysis of the two proposals, we considered the benefit cost ratio (BCR) resulting from the total benefits produced by the proposed program divided by the total costs of the program (including program implementation costs, performance incentives, participant costs, and transition costs). The result of this analysis was that VEIC’s proposal had a BCR that was 0.32 higher and would yield \$49,876,942 more in net benefits compared to Rhode Island Energy.

Table 3: Portfolio Costs and Benefits by Vendor in Phase 2

	VEIC	Rhode Island Energy
Portfolio Costs ¹	\$152,820,326	\$152,116,186
Portfolio Benefits	\$371,700,829	\$321,119,747
Portfolio Net-Benefits	\$218,880,502	\$169,003,561
Portfolio BCR	2.43	2.11

When reviewing the proposals from the two vendors, we did observe what appeared to be an anomalous assumption related to commercial refrigeration measures in VEIC’s proposal. VEIC’s proposal

¹ These values differ from the table included in Phase 2 because they also include participant costs and transition costs provided by the vendors.

indicated that savings for commercial refrigeration measures would exceed the level of savings identified for the same measure type and end use in the Council’s most recent market potential study. To account for this, and to ensure an apples-to-apples comparison, we removed commercial refrigeration measures from both vendors proposals. While this did reduce the difference in net benefits and BCRs between VEIC and Rhode Island Energy’s proposals, it was still the case that VEIC’s proposal produced a BCR that was 0.27 higher and would yield \$39,635,957 more in net benefits compared to Rhode Island Energy. The results of this modified assessment are in the table below.

Table 4: Portfolio Costs and Benefits by Vendor in Phase 2 with Refrigeration Removed

	VEIC	Rhode Island Energy
Portfolio Costs²	\$150,926,032	\$151,681,951
Portfolio Benefits	\$357,116,219	\$318,236,181
Portfolio Net-Benefits	\$206,190,188	\$166,554,230
Portfolio BCR	2.37	2.10

RI OFFICE OF ENERGY RESOURCES FINAL DECISION

After evaluating proposals across the three primary phases of the competitive procurement process, OER determined that retaining Rhode Island Energy as the program administrator was in the best interest of Rhode Islanders. This decision was made despite VEIC’s proposal receiving a higher technical score in Phase 1 and greater net benefits in Phase 3. OER acknowledged the strength of VEIC’s proposal, including its technical strength and innovative programming. However, OER emphasized that the decision was not based solely on quantitative metrics. Instead, it considered a broader set of factors, including transitional risks, administrative complexity, market uncertainties, and external risks such as potential changes in federal energy policy and economic pressures on ratepayers. Further, OER expressed concern about the potential disruption caused by transitioning from a utility-led model to a third-party administrator, citing both quantified and unquantified costs.

While OER chose not to advance VEIC to the next phase, it made clear that the decision would not preclude future procurements and that OER reserved the right to reissue an RFP if Rhode Island Energy fails to meet expectations. Ultimately, OER concluded that the incremental benefits of advancing VEIC to a review by the PUC did not outweigh the risks and costs associated with such a transition at this time.

² These values differ from the table included in Phase 2 because they also include participant costs and transition costs provided by the vendors.

COUNCILOR PERSPECTIVES ON FINAL DECISION

In reviewing OER's decision to select Rhode Island Energy at the end of Phase 3, we identified several concerns about the evaluation process and the rationale ultimately used to justify the selection of Rhode Island Energy. Generally speaking, we were concerned with the level of emphasis OER placed on potential costs and risks associated with transitioning to a third-party implementer, many of which were either speculative in nature and/or were concerns that would have been known going into the procurement in the first place. In some cases, these factors were included in the decision memo despite not having been discussed during the evaluation process. In this section, we summarize these factors and our concerns with their inclusion in the decision-making process.

Customer Disruption: OER noted that a major value of Rhode Island Energy's energy efficiency programming is that their programs are consistently available to its customers throughout the state without undue disruption. While we acknowledge that there would be a non-zero amount of disruption as a result of a transition, we did not uncover any evidence in our review of the proposals that would suggest a transition would cause such significant disruption in the availability of programs to Rhode Islanders to warrant it being a factor in the decision-making process.

Program Benefits and Regulatory Oversight: OER noted that Rhode Island Energy's programs largely operate in the background of overall energy programming and planning while still permitting investments that 1) confer participant bill savings and comfort regardless of season, 2) right-size RIE's total capital, operating, and financing costs necessary to meet energy demand, and 3) have direct regulatory oversight provided by the Public Utilities Commission. We note that items 1 and 3 would both be true regardless of whether programs were to stay with Rhode Island Energy or be transitioned to a third-party implementer and therefore should not be included as contributing factors in the decision-making process.

Additional Complexity in Collecting and Distributing Funds: OER presented two figures that outline the processes of energy efficiency program plan development, approval, implementation, and rate collection and how they would differ between Rhode Island Energy and a third-party implementer. The one difference in these figures is that for a third-party implementer, Rhode Island Energy would need to transfer funds to the third-party to implement the programs. In our review of the proposals, we did not arrive at the position that this step would be meaningfully complex to warrant being a factor in the decision-making process.

OER Administrative Costs: OER noted that in addition to the transition costs for the vendors involved, it would assume 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 any potential third-party administrator. OER also included an estimated cost of \$876,250 over a 5-year contract period. We expressed concern about the inclusion of this as a deciding factor in the decision-making process for a couple of reasons. First, while it may be true that OER might incur additional administrative costs, it is not clear that these costs would necessarily come at an incremental cost to ratepayers specifically. OER's allocation of funds from the energy efficiency programs is statutorily capped and so any incremental funding OER might need for the administration of

these programs would have to come from that source of funding and/or through other allocations from the State budget. Second, these costs were not included as part of our evaluation criteria nor were they discussed with us up until OER shared an initial draft of the Phase 3 memo. And while OER does indicate in the memo that their assumed value is based off \$175,250 annually to cover a variety of administrative tasks, they did not provide any backup to justify how they arrived at the annual administrative cost. Furthermore, their assumption seems to ignore that there are likely economies of scale to their administrative costs that would come down over the 5-year period of implementation.

Increasing Focus on Energy Affordability: OER made the point that now is not the time for moving forward with a third-party administrator whose proposal comes at a higher cost than the incumbent. While it is true that VEIC's proposed implementation costs were higher than Rhode Island Energy's, it seems to assume that the PUC would have to approve the program budgets as proposed and ignores the fact that the PUC would ultimately have final say on the exact budget levels to be collected from ratepayers.

Enhanced Federal Policy Risk and Related EE Market Risk for Rhode Island: OER primarily has raised its concern about layering on a transition period at a time where there are emerging concerns about the future of Federal policies supporting energy efficiency. While there may be some merit to this concern, it was not something that was discussed during our evaluation of the proposals and political headwinds were never an evaluation criterion that was discussed.

Future Procurement Risks: OER expresses its concern that selecting a third-party implementer would obligate the State to re-procure the services at the end of each contract period and that such a process could result in no vendor choosing to bid on the service in a future procurement and/or result in a lack of competition that limits incentive for efficiency on behalf of a third-party implementer. The inclusion of this as part of the decision-making process concerns us primarily because it is purely speculative in nature. No evidence was provided or discussed during the evaluation of the proposals to substantiate this concern.

CONCLUSION

The competitive procurement process established through legislative action was designed to identify the most qualified and cost-effective administrator for Rhode Island's energy efficiency programs. The procurement was split into several phases to allow OER, with the input and advice of the Council, to evaluate technical capabilities, cost considerations, and benefits to ratepayers of Rhode Island.

- **Phase 1** identified VEIC (92.6 out of 100 points) and Rhode Island Energy (85.2 out of 100 points) as technically qualified vendors.
- **Phase 2** identified Rhode Island Energy as the vendor with the lowest cost proposal (~\$125 million), which was approximately \$5 million lower than VEIC's proposal (~\$130 million).
- **Phase 3** identified VEIC as the vendor that would provide the greatest net-benefits to Rhode Island ratepayers (~\$219 million), which was approximately \$50 million more in net benefits than Rhode Island Energy's proposal (~\$169 million).

VEIC had a higher score for its technical component in Phase 1 and proposed a plan that would produce greater net benefits to Rhode Islanders in Phase 3. Despite this, OER determined that the incremental benefits of advancing VEIC to a review by the PUC in Phase 4 did not outweigh the potential risks and costs associated with transitioning to a third-party implementer.

As advisors to this process, we acknowledge and agree that the risk factors noted above and in OER's decision memo are relevant and important to consider in a decision to transition away from utility-led administration of energy efficiency programs. In many cases, however, these were not part of the formal evaluation criteria and should not have overridden the results of the procurement process which identified VEIC as the vendor that had the best technical capabilities (Phase 1) and would provide the greatest net benefits (Phase 3). We would have preferred that these concerns (and others) be addressed through a PUC docket (would be Phase 4), rather than to disqualify VEIC prematurely.

Finally, we would like to stress the importance of accountability going forward. In its decision memo, OER is clear that it has the right to reissue an RFP for these services in the future at its discretion if it *"determines that the efficiency services are not sufficiently meeting expectations."* OER indicates that *"these expectations include, but are not limited to, delivering on the activities described in the Rhode Island Energy 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."* We recommended that OER closely monitor and report back to the Council on Rhode Island Energy's adherence to these stated expectations on a regular basis (at least annually) over the upcoming three years. If Rhode Island Energy is unable to meet OER's expectations, we would recommend that OER utilize the right it has reserved to reissue the RFP in the future.