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Demand-Side Management Investment Proposal

Energy Efficiency Council

September 10, 2026

Investment Proposal Purpose (LCP Standards § 7.2)

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7.2 Purpose

A. DSM Proposals must do one of the following

i

Manage existing demand

Manage existing demand for electric or gas supply consistent with the Least Cost Procurement Standards.

OR

ii

Manage demand growth

Manage growth in demand so incremental system investment is avoided, lowering the average cost of supply.

Investment Proposal Concept

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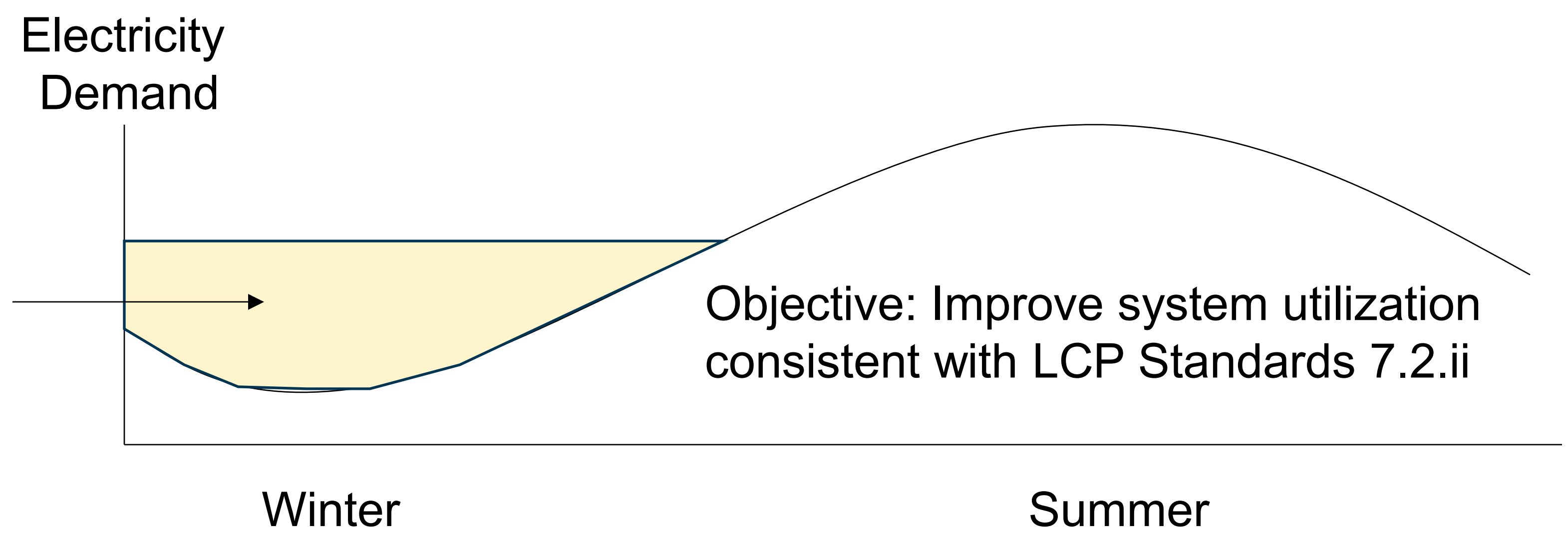
Illustrative increase in winter demand due to incremental heat pump adoption



Volumetric Rates ($/kWh) = $\frac{\text{Energy Revenue Requirement (\$)}}{\text{Total Forecasted Deliveries (kWh)}}$

Energy Revenue Collected ($) = Volumetric Rates ($/kWh) x Total Actual Deliveries (kWh)

Key Concept:

Holding rates steady: more kWh means more revenue collected than required *in short term*

Proposal Contents (LCP Standards § 7.3) – Part 1

7.3.A.i. Testimony

The distribution company will prefile testimony on the following

a

DSM Proposal description

Description of the Proposal and its consistency with the purposes in Section 7.2.

b

Impact on demand

Impact of the Proposal on demand for electric or gas supply.

c

Impact on supply costs

Impact of the Proposal on average electric or gas supply costs.

d

Rate and bill savings

Evidence that rates and customer bills decrease over the lifetime of the proposal, program, or measure.

e

Cost-effectiveness

Evidence the proposal is cost-effective, reliable, prudent, and environmentally responsible.

f

PUC approvals sought

The specific approvals the distribution company is requesting from the PUC.

Proposal Contents (LCP Standards § 7.3) – Part 2

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7.3.B-G. Proposal Requirements

Each DSM Proposal must address the following

B

Delivery period and targets

Define a delivery period, establish implementation targets within it, and enumerate strategies to attain those targets.

C

Impact analysis

Analyze impacts of the proposed DSM activity on demand and the resulting effect on average supply costs.

D

Costs and cost recovery

Present specific program costs, funding plans, and cost recovery — including how costs are split between gas and electric customers.

E

Existing funding streams

Identify existing funding or incentives for the same offerings and explain how proposed incentives were adjusted for them.

F

Annual reporting

Include an annual reporting plan on implementation across the stated delivery period.

G

Filing discretion

Proposals shall be filed at the discretion of the distribution company or of the Commission. (Docket No. 23-07-EE, p. 31)

Preliminary – For Discussion Purposes Only

Late November (11/20)

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LCP 6.4 Guidelines for DSM Investment Proposals

Council review milestones, sequenced around the PUC filing date

1

Ongoing

Council collaboration

Company seeks ongoing Council input and jointly proposes a process for review of DSM Proposals.

2

6 weeks prior

Draft to Council and Division

Draft DSM Proposals go to the Council and the Division of Public Utilities and Carriers for review.

By October 5 (Target Sept 21)

3

2 weeks prior

Pre-vote review window

Revised draft submitted at least one week before the Council's scheduled vote.

November 2

4

Filing week

Council endorsement vote

Council votes whether to endorse; if it does not, it documents reasons and comments to the PUC.

November 19

5

Filing date

Proposal filed with PUC

Company files DSM Proposal with PUC.

November 20

6

3 weeks after

Cost-effectiveness memos

Council submits memos assessing cost effectiveness to the PUC within three weeks of filing.

December 11

Appendix: How did we get here? Rate case recap

Rate Case: CLF Proposal

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PROPOSAL: FAIR RATE FOR HEAT PUMP CUSTOMERS

Having determined the correct delivery revenue requirement for heat pump customers — $11.9 million per year, reflecting their actual cost of service — the next question is how to collect it.

We propose a simple **flat rate** that would lower heat pump customer delivery bills, and could therefore be retroactively applied to all known heat pump customers in the state. This rate would only be available to heat pump customers, and would only apply to the delivery side of the bill.

During the test year, the total volumetric delivery rate was 14.08¢/kWh. Our proposal would reduce all volumetric delivery charges by a uniform 41.4%, bringing the total volumetric delivery rate for heat pump customers below the default. Per-customer fixed charges are unchanged.

Area	Default rate	Adj. default rate	Change
Distribution Charge	4.58¢/kWh	2.68¢/kWh	-41.40%
Transmission	4.77¢/kWh	2.80¢/kWh	-41.40%
Other Delivery	1.65¢/kWh	0.97¢/kWh	-41.40%
Renewable Energy	2.14¢/kWh	1.25¢/kWh	-41.40%
Energy Efficiency	0.89¢/kWh	0.52¢/kWh	-41.40%
Total	14.08¢/kWh	8.24¢/kWh	-41.40%

ADJUSTED RATES FOR NON-HEAT PUMP CUSTOMERS

The heat pump rate is revenue-neutral at the residential class level: it reallocates delivery revenue responsibility within the residential class, but does not reduce total residential revenue. Heat pump customers' delivery revenue would decrease to match their cost of service, and the volumetric delivery rates for non-heat pump customers remaining on the default schedule would be adjusted upward to recover the difference.

The total volumetric delivery rate for non-heat pump customers would rise from 14.08¢/kWh to 14.37¢/kWh — a 2.0% increase.

Area	Default rate	Adj. default rate	Change
Distribution Charge	4.58¢/kWh	4.67¢/kWh	+2.0%
Transmission	4.77¢/kWh	4.87¢/kWh	+2.0%
Other Delivery	1.65¢/kWh	1.69¢/kWh	+2.0%
Renewable Energy	2.14¢/kWh	2.19¢/kWh	+2.0%
Energy Efficiency	0.89¢/kWh	0.91¢/kWh	+2.0%
Total	14.08¢/kWh	14.37¢/kWh	+2.0%

As with the HP rate, the adjustment is a uniform percentage applied to all volumetric charges; per-customer fixed charges are unchanged.

BILL IMPACT OF HEAT PUMP RATE ON NON-HEAT PUMP CUSTOMERS

How would this small rate adjustment affect non-heat pump customers' bills (Figure 28)?

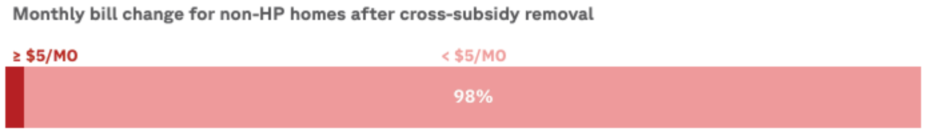

Figure 28: Average monthly bill change — all non-HP homes after cross-subsidy removal (Statewide)

It would raise them by **$1.57 per month**, on average.

And **98%** of non-HP households would see their monthly electric bill rise by less than $5 a month.

See Schedule JPV-1 Page 30 of 42 Table 4 for discount for heat pump customers and pages 35-36 of 43 Table 5 and Figure 28 and surrounding text for resulting bill increase for non-heat pump customers https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2026-04/JPV%20Witness%20Testimony%20FINAL.pdf

Rate Case: RIE Position

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Q. What is your recommendation to the Commission regarding the cost-of-service
study performed by Witness Velez in support of his recommendation to create a new
Residential Heat Pump subclass?
A. I recommend that the Commission reject Witness Velez's cost of service study. The study
is not based on sou
and inappropriately
Witness Velez's rer
of the heat pump c
Commission reject

Q. Mr. Velez makes a number of assumptions regarding electricity usage by residential
customers using heat pumps. At a high level, do you agree with Mr. Velez's
assumptions regarding the electricity usage of residential heat-pump customers?
A. No, generally speaking, I do n
usage by residential heat-pum
should be separated based on
support this approach. The va
to be considered collectively i

Q. Do you agree with CLF Witness Velez's recommendation to establish a new heat
pump rate?
A. No. I, Company Witness Schafer, and Company Witness Constable, all find issue with
CLF Witness Velez's recommendations and underlying analysis.[26] As discussed below,
CLF Witness Velez's underlying cost analysis does not meet the standards of utility
ratemaking and his recommendations should be rejected by the Commission in their
entirety. Although the Company supports heat pump adoption, the Company is not in
favor of establishing a heat pump specific rate for residential customers in this
proceeding. CLF Witness Velez's recommendation and underlying analysis, which is

See Direct Testimony of Company Witness Lance Schafer Pages 8-21 of 21 Section V
https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2026-05/25-45-GE%20Book%2017%20%28Schafer%20Rebuttal%20Testimony%29.pdf
See Rebuttal Testimony of Company Witness Peter Blazunas Pages 18-21 of Section IV.C
https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2026-05/25-45-GE%20Book%2019%20%28Blazunas%20Rebuttal%20Testimony%29.pdf
See Rebuttal Testimony of Company Witness Ryan Constable All
https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2026-05/25-45-GE%20Book%205%20%28Constable%20Rebuttal%20Testimony%29.pdf

Rate Case: Settlement

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Settlement Terms

- The Company agrees to submit a Demand Side Management ("DSM") Investment Proposal with the Rhode Island Public Utilities Commission ("PUC") consistent with the applicable Least Cost Procurement ("LCP") Standards. The Parties acknowledge that the LCP Standards currently in effect may be amended through Docket No. 26-15-EE prior to this filing.
- Subject to the Company's application of the LCP Standards, the DSM Investment Proposal will include a monetary benefit for heat pump customers. The Company is committed to making enrollment in the program as seamless as possible for eligible customers.
- Subject to the Company's application of the LCP Standards, the DSM Investment Proposal will include a proposal for cost recovery for benefits paid to heat pump customers. CLF agrees not to oppose the Company's cost recovery proposal provided it is reasonable and consistent with the LCP Standards.
- The Company agrees that it will not oppose a Motion to Intervene from CLF should it seek party status in the DSM Investment Proposal docket. Nothing in this Heat Pump Settlement precludes CLF from proposing an alternative solution through the DSM Investment Proposal.

DSM Investment Proposal

Heat Pump Study

- At or around the same time as the filing of the DSM Investment Proposal, the Company agrees to file a study that evaluates the extent to which there are differences in cost causation for heat pump customers and other customers. This study will address the propriety of rate design and other ratemaking principles to reflect any difference in cost causation.
- Unless a specific docket is directed by the PUC, the Company will file the study in an appropriate docket. The Company will consult with CLF to determine an appropriate docket.

See Settlement Agreement https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2026-06/25-45-GE-Heat%20Pump%20Settlement%20-%20Added%20Signatures%20%28PUC%206-9-2026%29.pdf

Appendix: Governing Statute

DSM Governing Statute

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§ 39-2-1.2. Utility base rate — Advertising, demand-side management, and renewables.

(b) Effective as of January 1, 2008, and for a period of twenty (20) years thereafter, each electric distribution company shall include a charge per kilowatt-hour delivered to fund demand-side management programs. The 0.3 mills per kilowatt-hour delivered to fund renewable energy programs shall remain in effect until December 31, 2028. The electric distribution company shall establish and, after July 1, 2007, maintain, two (2) separate accounts, one for demand-side management programs (the "demand-side account"), which shall be funded by the electric demand-side charge and administered and implemented by the distribution company, subject to the regulatory reviewing authority of the commission, and one for renewable energy programs, which shall be administered by the Rhode Island commerce corporation pursuant to § 42-64-13.2 and shall be held and disbursed by the distribution company as directed by the Rhode Island commerce corporation for the purposes of developing, promoting, and supporting renewable energy programs.