Demand-Side Management Investment Proposal

A Joint Presentation from Rhode Island Energy
and Conservation Law Foundation

Energy Efficiency Council

October 15, 2026

Intended Outcomes

1. Understand the full draft DSM Investment Proposal, including revisions following the 10/5 LEAD session

2. Opportunity to ask questions and discuss design elements

We will provide a draft DSM Investment Proposal provided to the Division and the Council *next week*, six weeks prior to filing with the Commission. Target filing date: *12/3*/2026

LCP Standards
Section 6.3.G

Purpose (LCP Standards § 7.2)

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.

ii

Manage demand growth

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

This proposal advances *both* purposes.

This proposal encourages use of existing heat pumps during winter months by reducing the operational costs to run the heat pumps, consistent with purpose (i).

This proposal encourages incremental heat pump adoption by reducing operational costs in winter months, consistent with purpose (ii).

Proposal Contents (LCP Standards § 7.3)

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.

DSM Proposal Description

WHO
Eligible customers are RIE electric customers who have received a heat pump incentive through Rhode Island Energy Efficiency Programs or Clean Heat RI.

RIE/CLF: Consensus

WHAT
Participating customers will receive a $7.35 credit-per-participant-per-month based on the theoretical concept of revenue overcollection stemming from incremental kWh deliveries in winter months.

RIE/CLF: Consensus on distribution credit; CLF advocates to include same treatment for transmission credit

WHERE
Customers (and their heat pumps) must be located within RIE territory.

RIE/CLF: Consensus

WHEN
RIE: Credits for program season 1 will be on participant bills December 2027 – March 2028; go/no-go opportunity; program season 2: December 2028 – March 2029

CLF: Seeking faster program deployment

WHY

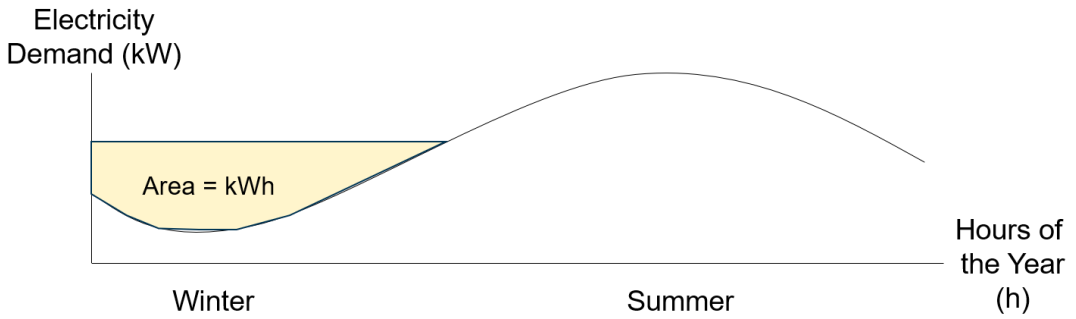
RIE: To manage existing and new demand growth in the short term

CLF: Also to advance electrification objectives

HOW
Enrollment will be automatic based on program participation. Credits will be direct on participant bills. Funding will be reconciled through the electric revenue decoupling mechanism.

RIE/CLF: Consensus

Credit Derivation – Revised



	Heating Season 1	Heating Season 2
Incremental kWh per ton per heating season (kWh/ton/heating season) [derived from Guidehouse study]	881	881
Average size (ton) [RIE model for single family home]	2.9	2.9
Winter rate ($/kWh)	$0.04998	$0.04998
Data-based negotiated “incremental” HP installations or use [RIE Peaks Report 2026-2028 Base Case]	2,175	4,350
Modeled incremental base distribution revenue above target	$277,627	$555,255

	Credit
Total incremental revenue	$832,882
Historic qualifying HPs prior to Heating Season 1	10,005
New HPs in Heating Season 1	2,777
Total participants in Heating Season 1	12,782
Historic qualifying HPs prior to Heating Season 2	12,782
New HPs in Heating Season 2	2,777
Total participants in Heating Season 2	15,560
Total participants Heating Season 1 + 2	28,342
Months in each heating season	4
Credit per participant per month	$7.35

Proposal Contents (LCP Standards § 7.3)

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)

Delivery Period and Targets

DELIVERY PERIOD
Heating Season 1: Credits on bills for December 2027 – March 2028

Go/No-Go Opportunity: ~July 2028 (following annual report and deliberation over heat pump rate study)

Heating Season 2: Credits on bills for December 2028 – March 2029

CLF: Advocates for earlier Heating Season 1

IMPLEMENTATION TARGETS
Participants include over 90% of customers who have participated in Energy Efficiency or Clean Heat RI

RIE/CLF: Consensus

STRATEGIES
- Automatic enrollment using program data exchange
- Research on unmatched accounts
- Communication to customers
- Integrated into program outreach, communications, and participant acquisition

RIE/CLF: Consensus

Costs and Cost Recovery

PROGRAM COSTS
Proposed DSM Factor = $0.00000/kWh

RIE/CLF: Consensus

FUNDING PLAN AND COST RECOVERY
Via adjustment to annual electric revenue decoupling mechanism reconciliation filing.

RIE/CLF: Consensus on distribution credit

COST SPLIT FOR ELECTRIC/GAS
No costs or funding from gas customers

RIE/CLF: Consensus

	Heating Season 1	Heating Season 2
Credit per month	$7.35	$7.35
Participants	12,782	15,560
Number of months	4	4
Total electric RDM adjustment	($375,633)	($457,249)
kWh deliveries (approx.)	7,460,191,682	7,460,191,682
Electric RDM Factor impact	($0.00005)	($0.00006)

Existing Funding Streams

RHODE ISLAND ENERGY EFFICIENCY PROGRAM
Provides upfront incentive to defray upfront purchase and installation costs; does not provide any incentive to reduce day-to-day operations costs.

CLEAN HEAT RI
Provides upfront incentive to defray upfront purchase and installation costs; does not provide any incentive to reduce day-to-day operations costs.

There is no program that serves to reduce operational costs for heat pump systems.

Annual Reporting – DRAFT

METRICS
Participants
Credits provided
Installs relative to current program targets
Others?

QUALITATIVE METRICS
Customer sentiment
Customer self-reports of credit impact on behavior
Others?

Discussion and recommendations welcomed.

Questions and Discussion

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It's not just energy–
It's your energy.

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For a thriving New England

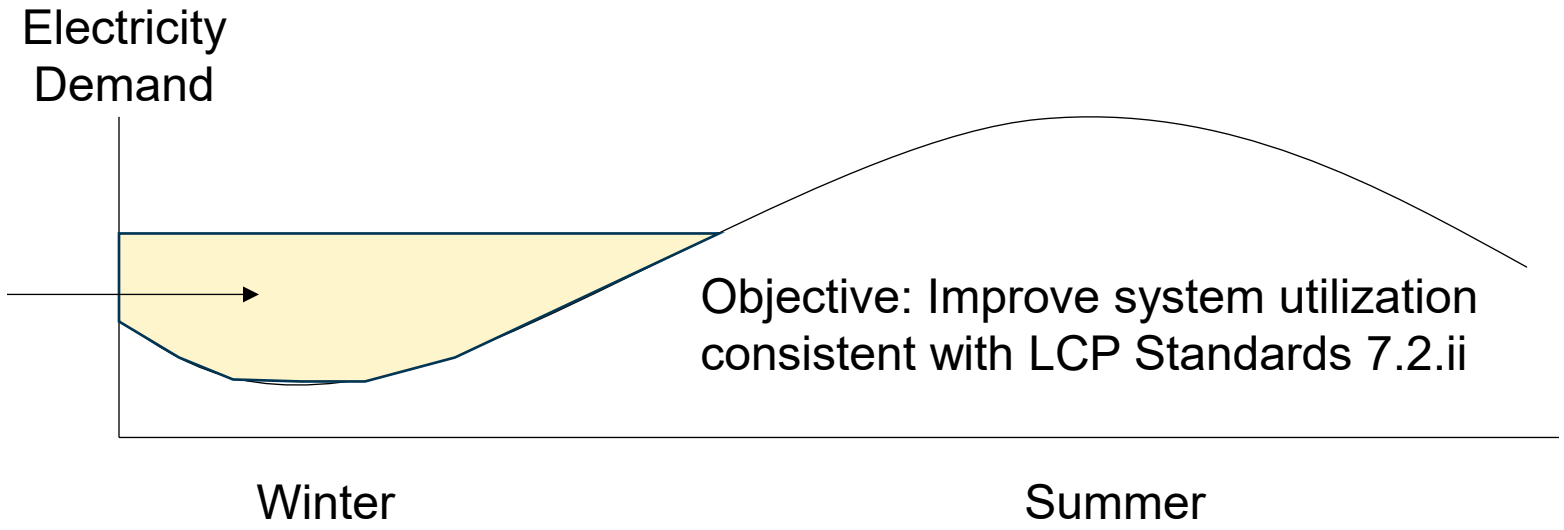
conservation law foundation

For 60 years, CLF has taken on powerful opponents who would pollute our air and water and squander our resources. Our deep local knowledge, legal acumen, and policy expertise make us a prime mover in building our clean energy future, countering climate change, and safeguarding our communities.

Conceptual Calculation of Credit (from 10/5)

Investment Proposal Concept

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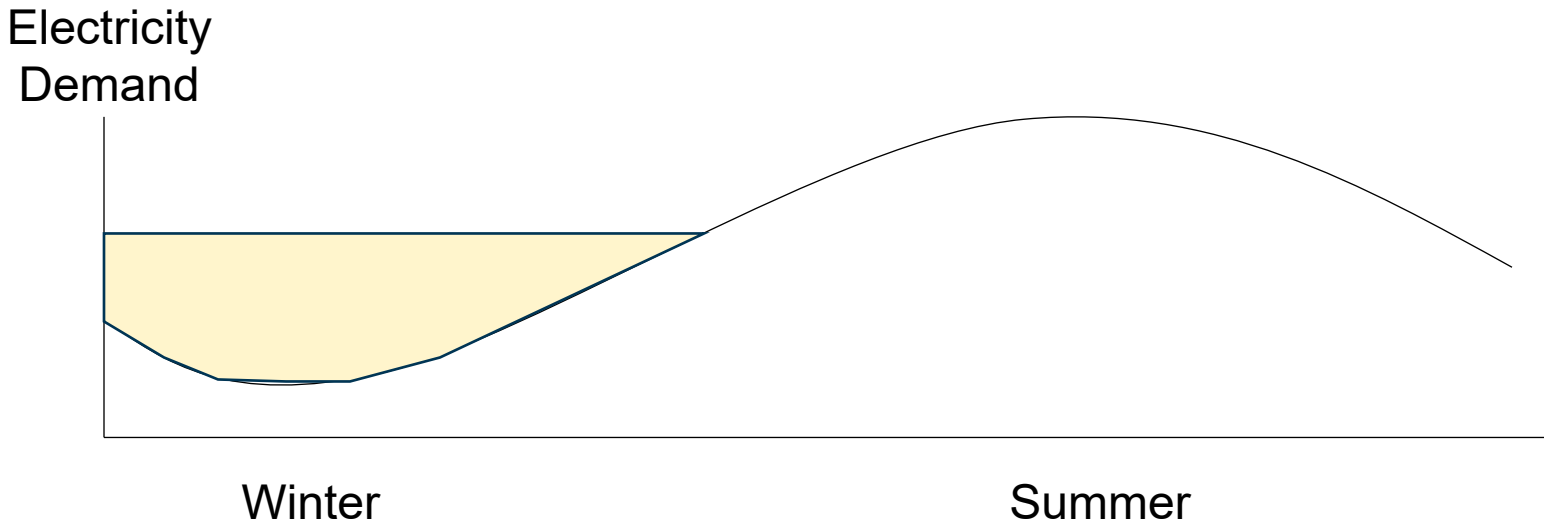
$$\text{Volumetric Rates (\$/kWh)} = \frac{\text{Energy Revenue Requirement (\$)}}{\text{Total Forecasted Deliveries (kWh)}}$$

$$\text{Energy Revenue Collected (\$)} = \text{Volumetric Rates (\$/kWh)} \times \text{Total Actual Deliveries (kWh)}$$

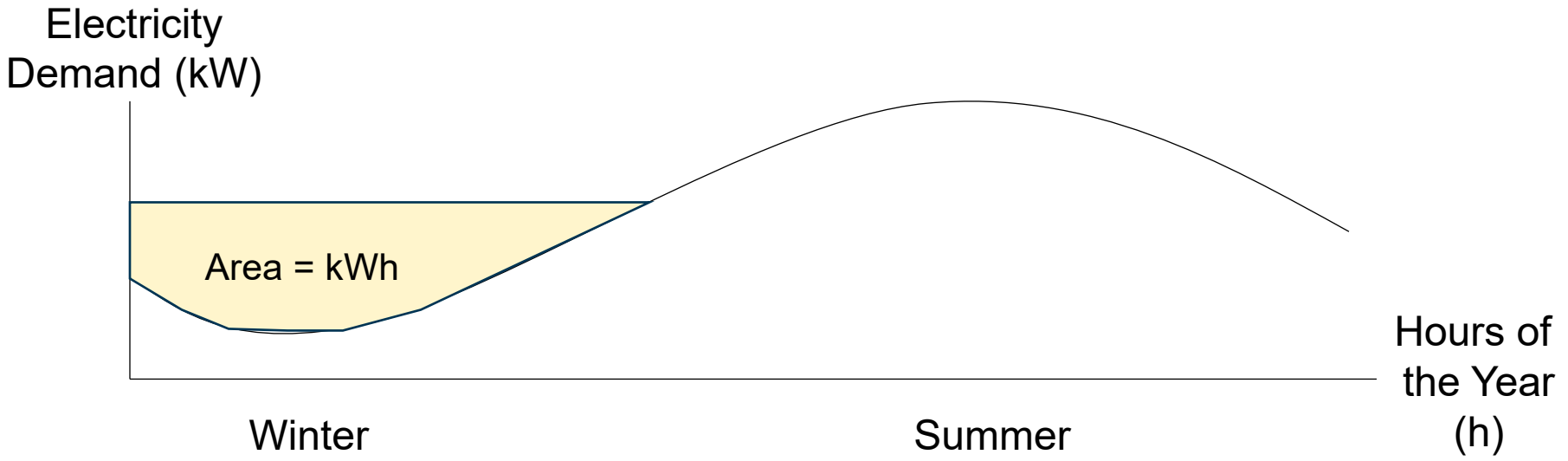
Key Concept:

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

Amount of Credit



Amount of Credit

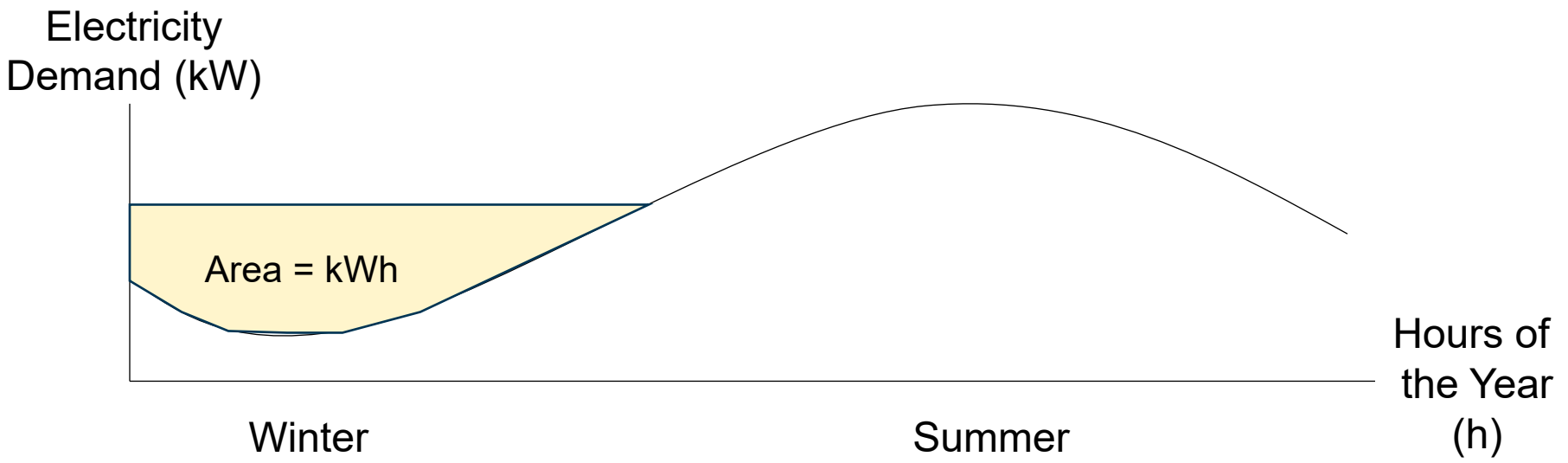


Amount of Credit

Goal:
Credit per ton per month ($/ton/month)

Question #1:
How much area?

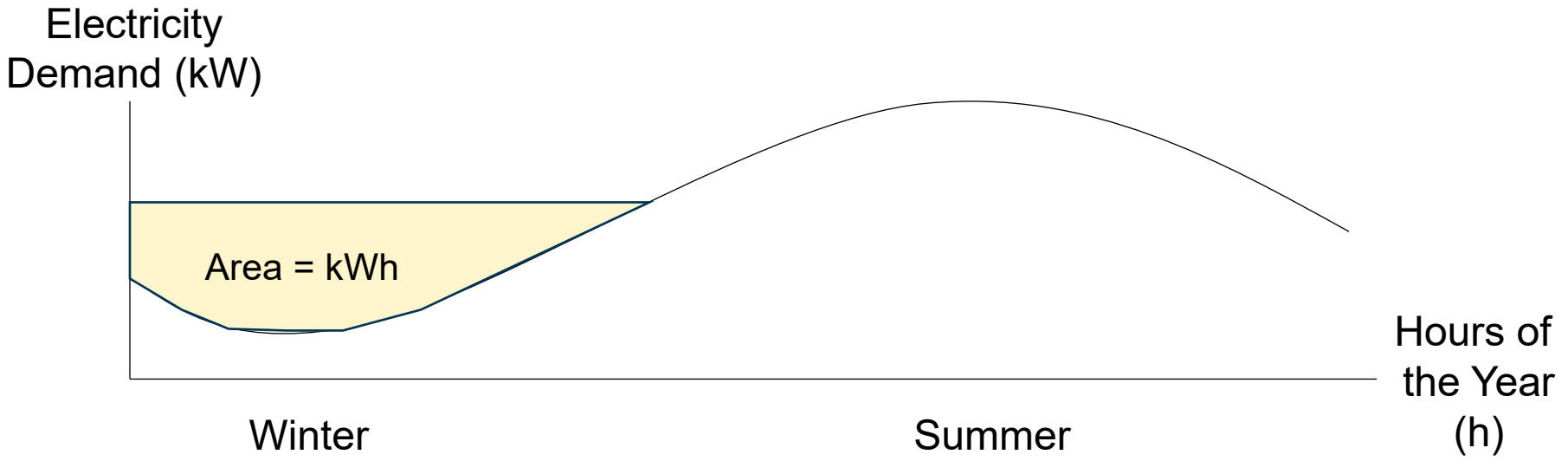
(Breakout by ton and by month)



Amount of Credit

Goal:
Credit per ton per month ($/ton/month)

Question #1:
How much area?



Consider full displacement of delivered fuel heating with electric heat pump heating.
Assume average size of 3 tons.

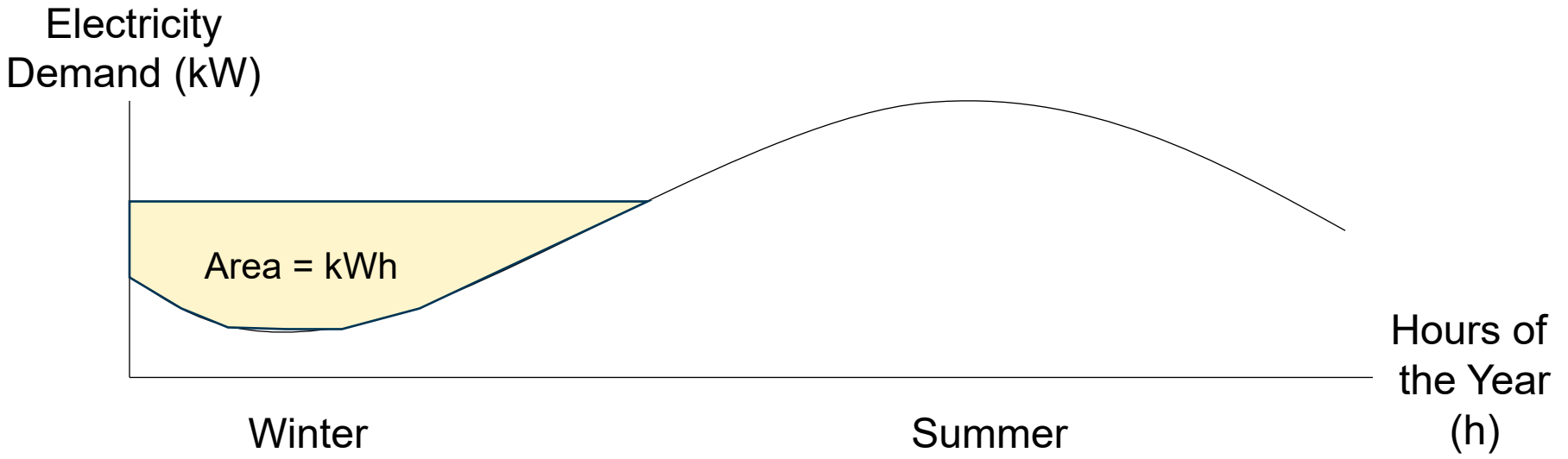
Say 0 kWh heating before || 10,000 kWh heating after
➔ Incremental kWh/ton = 10,000 kWh / 3 tons = 3,333 kWh/ton

Say 4 months of winter heating season (Dec – Mar)
➔ Incremental kWh/ton/month = 833 kWh/ton/month

Amount of Credit

Goal:
Credit per ton per month ($/ton/month)

Question #1:
How much area?



What about other displacement scenarios?
➔ Weighted average based on kWh and portfolio of installs

	DF to HP Full Displace	DF to HP Hybrid	NG to HP Full Displace	NG to HP Hybrid	Elec Res to HP
Change in Winter Consumption (kWh)	10,000	6,700	10,000	6,700	(2,000)
Average HP size (ton)	3	3	3	3	3
Winter Period (months)	4	4	4	4	4
Monthly change (kWh per ton)	833	558	833	558	(167)
Proportion of installs (sum to 100%)	10%	47%	7%	29%	7%
Weighted average (kWh per month per ton)	556				

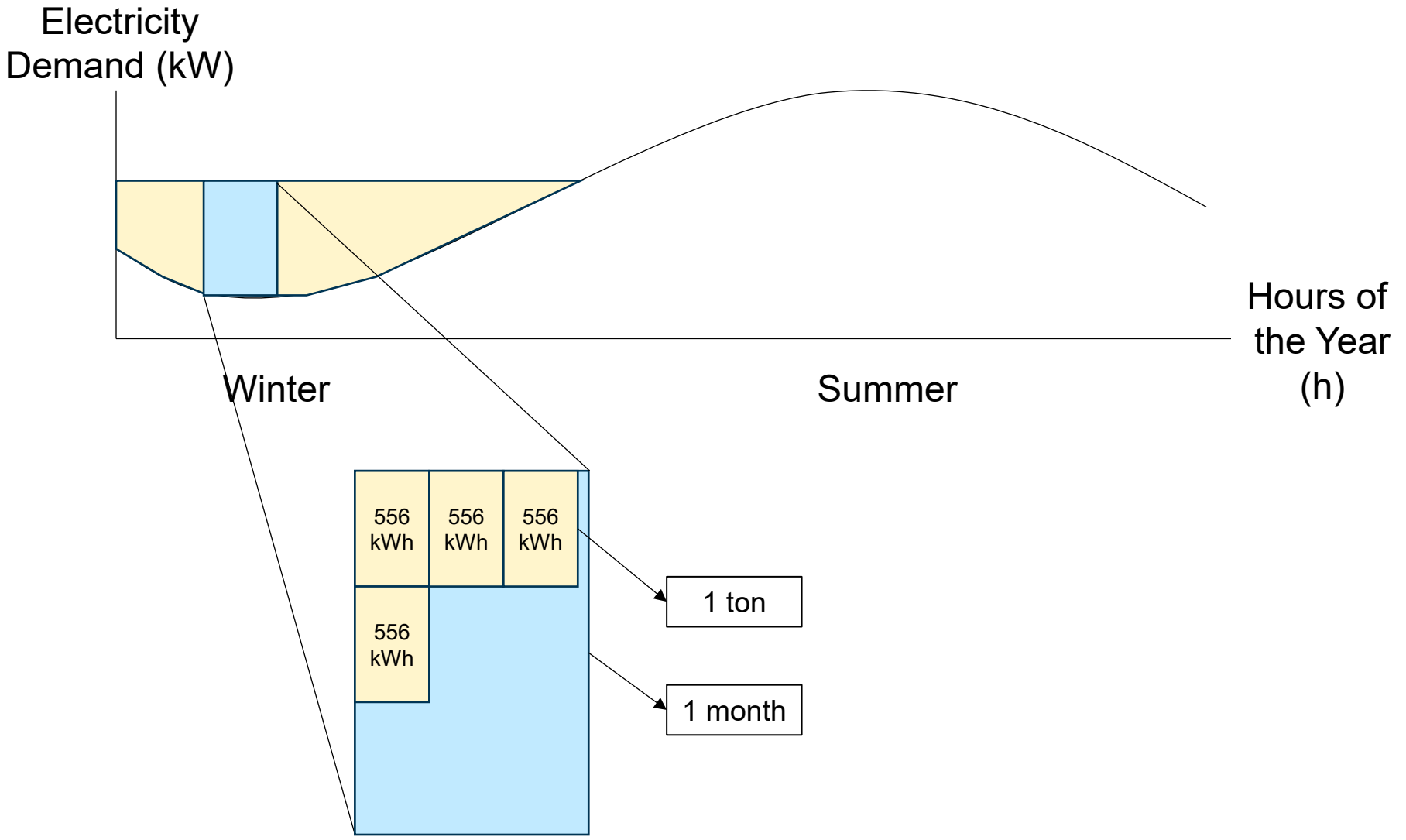
These numbers are illustrative at this point (draft, preliminary, placeholders) and subject to change as we refine them

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Amount of Credit

Goal:
Credit per ton per month ($/ton/month)

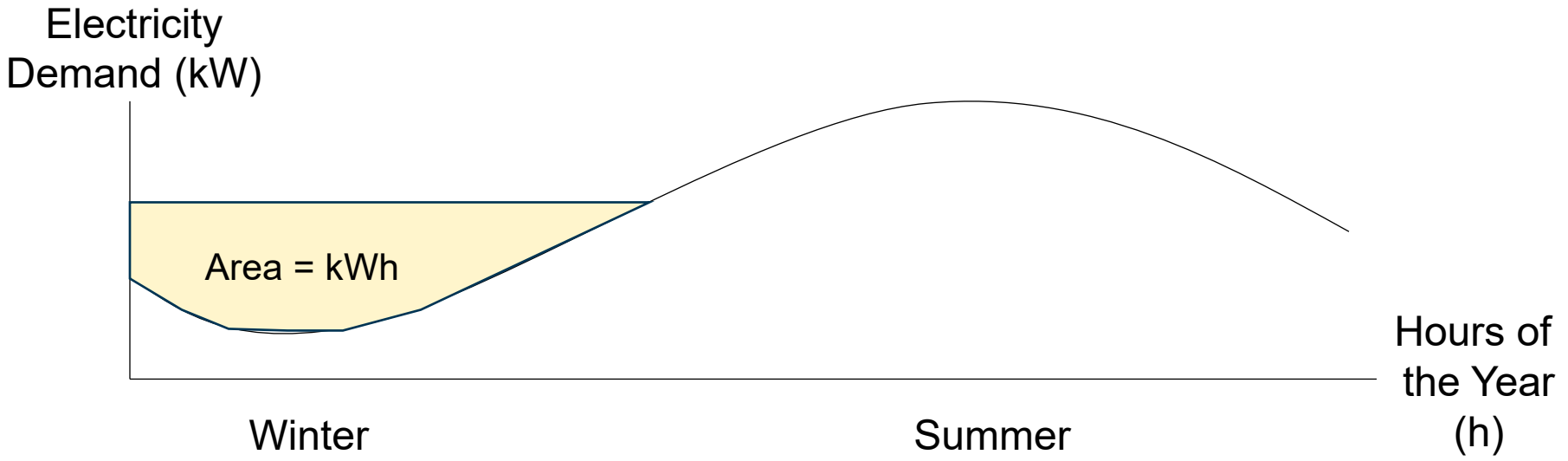
Question #1:
How much area?



Amount of Credit

Goal:
Credit per ton per month ($/ton/month)

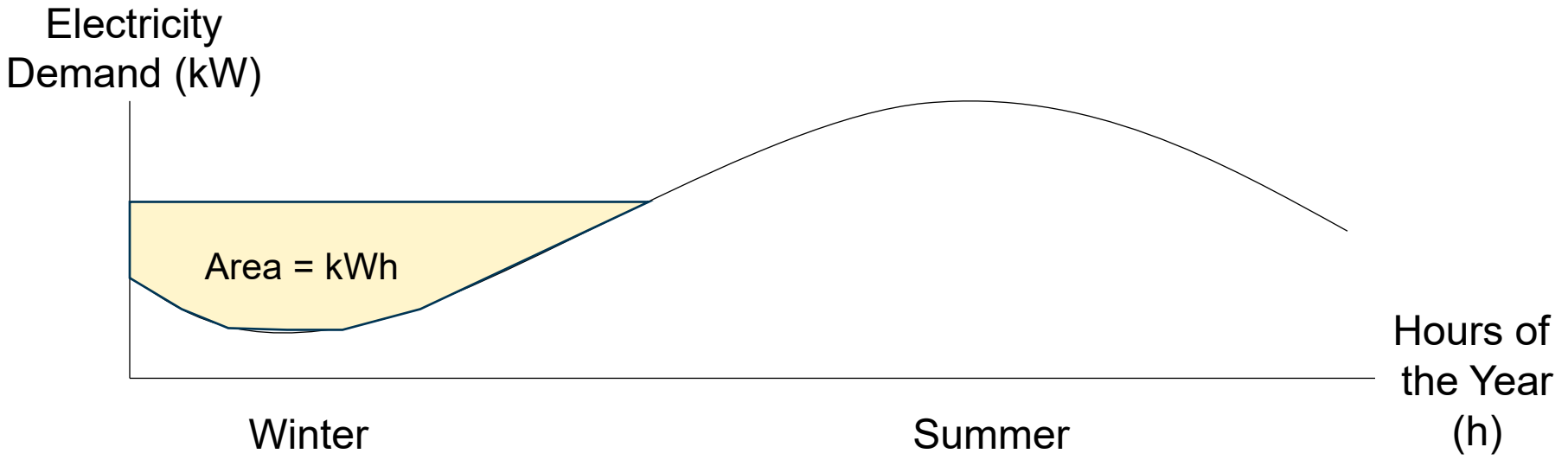
Question #2:
How much value?



Amount of Credit

Goal:
Credit per ton per month ($/ton/month)

Question #2:
How much value?

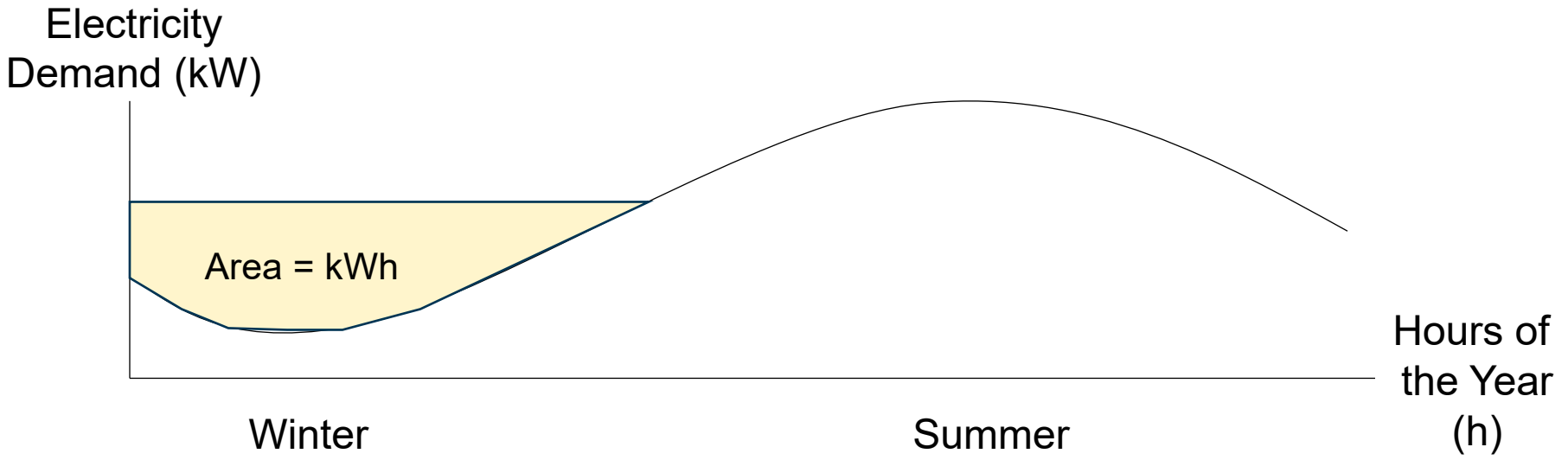


Winter base distribution rate
➔ $0.04998/kWh * 556 kWh/ton/month = $27.80 credit per ton per month

Amount of Credit

Goal:
Credit per ton per month ($/ton/month)

Question #2:
How much value?



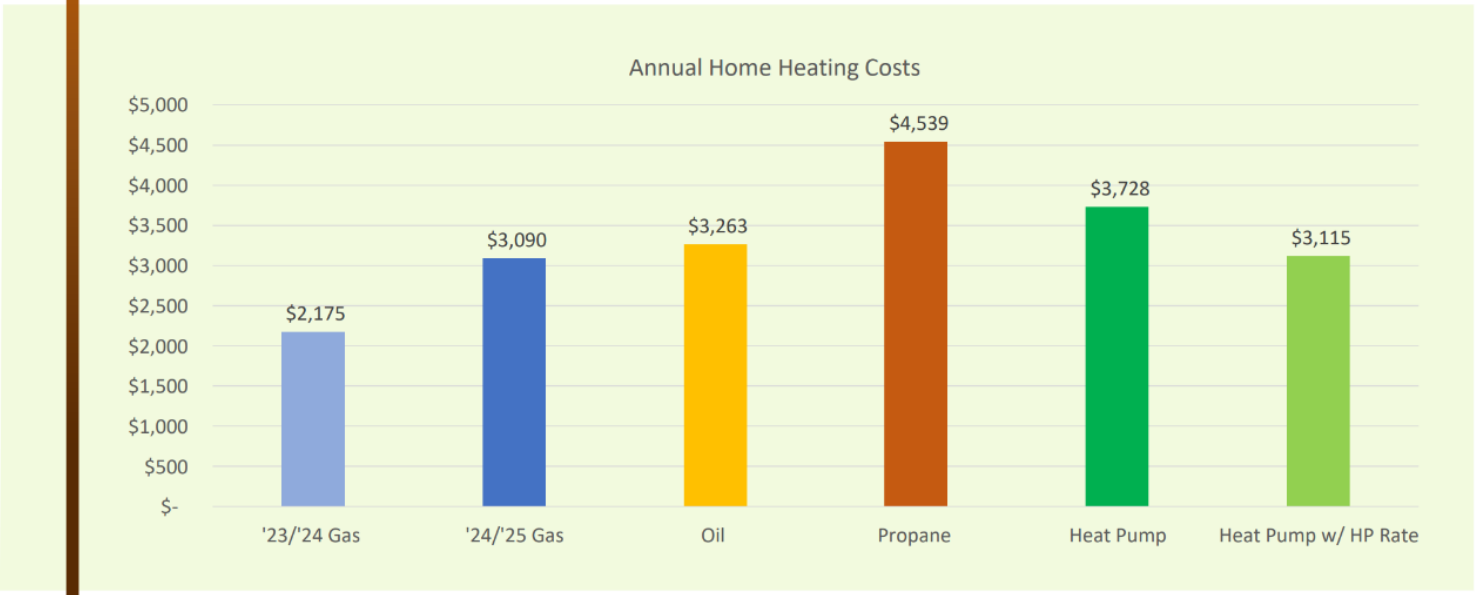
Winter base distribution rate
➔ $0.04998/kWh * 556 kWh/ton/month = $27.80 credit per ton per month

Example:
→ Adrian has a 3 ton heat pump.
→ His credit = $27.80/ton/month * 3 tons = $83.39 per month
→ His total winter credit = $83.39/month * 4 months = $333.56

Putting the Credit in Context

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Potential Change in Heating Costs After Electrification



At winter 24/25 gas rates, adopting a **full displacement** heat pump results in an *increase* compared to gas and fuel oil costs, and *savings* compared to propane.
A heat pump rate that discounted electricity by 5 cents would equalize oil/gas with heat pumps.

5

Oil → Heat Pump
Home heating costs are $465 greater per season for heat pumps than oil heating.

Value of credit is $333.

Resulting economic delta reduces to $132.

'24/'25 Gas → Heat Pump
Home heating costs are $638 greater per season for heat pumps than gas heating.

Value of credit is $333.

Resulting economic delta reduces to $305.

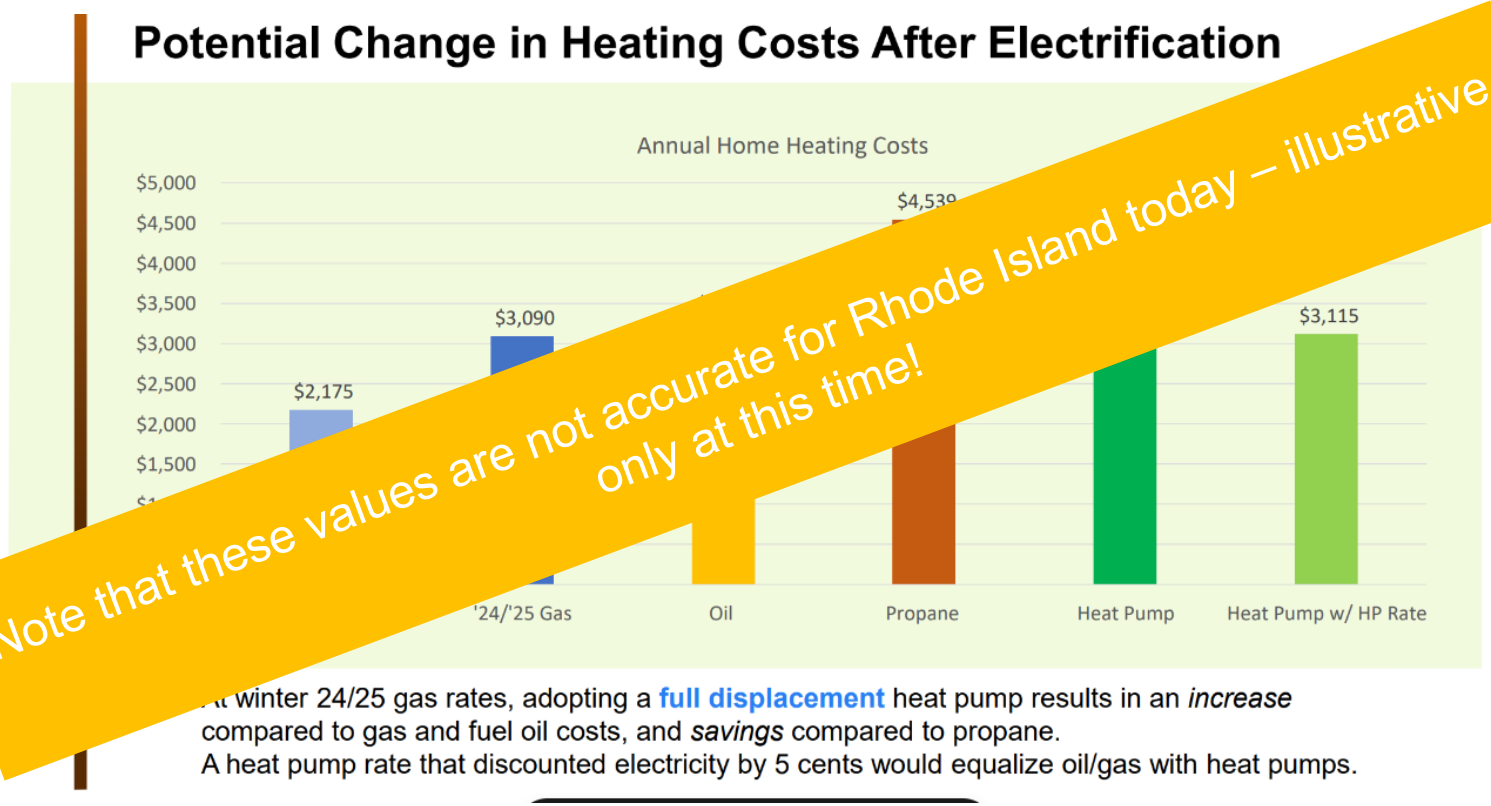
DPU Docket 24-145
Eversource-MA Gas
Attachment DPU-Common 9-1

These numbers are illustrative at this point (draft, preliminary, placeholders) and subject to change as we refine them

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Putting the Credit in Context

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Note that these values are not accurate for Rhode Island today – illustrative only at this time!

Oil → Heat Pump
Home heating costs are $465 greater per season for heat pumps than oil heating.

Value of credit is $333.

Resulting economic delta reduces to $132.

'24/'25 Gas → Heat Pump
Home heating costs are $638 greater per season for heat pumps than gas heating.

Value of credit is $333.

Resulting economic delta reduces to $305.

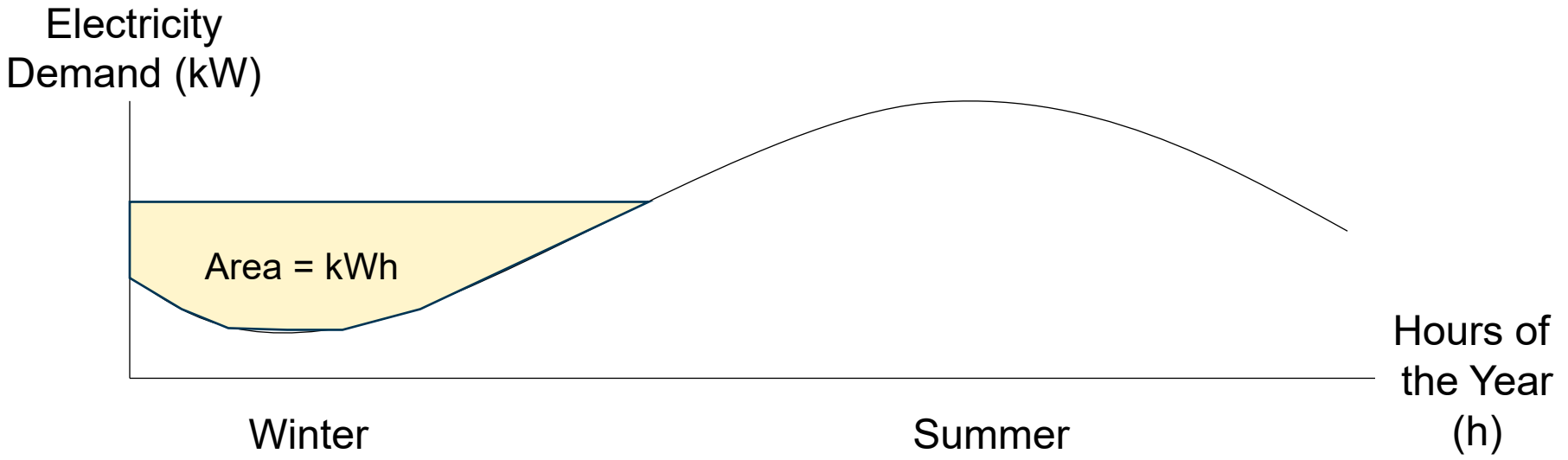
However, results suggest the magnitude of the credit is likely to be a meaningful amount.

DPU Docket 24-145
Eversource-MA Gas
Attachment DPU-Common 9-1

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Amount of Credit

Goal:
Credit per ton per month ($/ton/month)



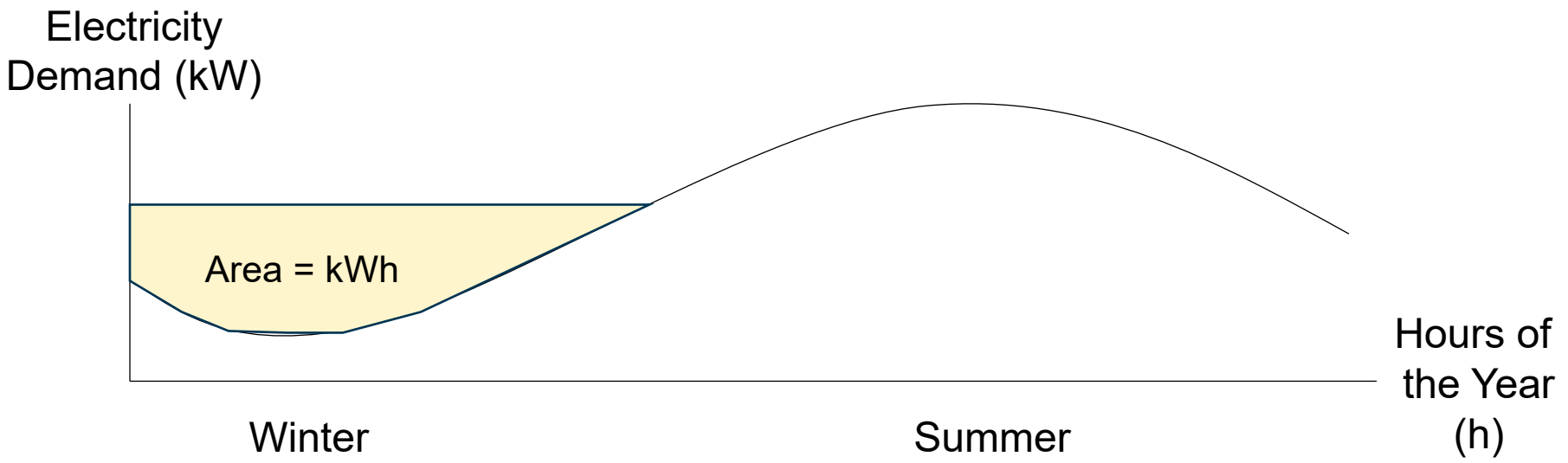
Question #3:
Are there other considerations that should be factored into the value of the credit?

- Non-winter changes in kWh?
- Changes in gas supply/price?
- Eligible pool of customers?
- Transmission expenses?
- Reconciling factors?

Amount of Credit

Goal:
Credit per ton per month ($/ton/month)

Question #3:
Are there other considerations that should be factored into the value of the credit?



- Non-winter changes in kWh? ←Leaning towards no: simplicity is best and year-round load profiles covered by HP Rate Study
- Changes in gas supply/price? ←Leaning towards no: likely negligible in short-term
- Eligible pool of customers? ←Leaning towards yes but depends on when we consider heat pumps to be 'incremental' to rate calcs
- Transmission expenses? ←Doing some research on this; note contrasts with base transmission factor relative to distribution
- Reconciling factors? ←Doing some research on this; is magnitude worth complexity?

Funding the Credit

Goal:
Revenue reconciliation adjusts for total credit provided

Question #4:
What is the total credit provided?

Assuming credit of $27.80 per ton per month
Assuming participation by 1,000 customers
Assuming average system size of 3 tons
➔ $27.80/ton/month * 4 months * 3 tons/customer * 1,000 customers = $333,545 total credit

Assuming participation by 10,000 customers
➔ $3,335,451 total credit

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Funding the Credit

Goal:
Revenue reconciliation adjusts for total credit provided

Question #4:
What is the total credit provided?

Assuming credit of $27.80 per ton per month
Assuming participation by 1,000 customers
Assuming average system size of 3 tons
➔ $333,545 total credit

Assuming participation by 10,000 customers
➔ $3,335,451 total credit

For Context:

Docket No. 26-21-EL FY26 Electric RDM Reconciliation Filing
Schedule NECO-1 Page 1

RDM Reconciliation – Over Recovery	$3,640,488
Other Adjustments and Interest	$14,230,009
Amount to be credited through RDM Adj.	$17,740,761
Forecasted 7/1/26-6/30/27 Deliveries	7,460,191,682 kWh
Proposed RDM Adj. Factor	($0.00237) per kWh

Illustrative: inclusion of DSM proposal

RDM Reconciliation – Over Recovery	$3,640,488
DSM Heat Pump Credit Adjustment	($3,335,451)
Other Adjustments and Interest	$14,230,009
Amount to be credited through RDM Adj.	$14,405,310
Forecasted 7/1/26-6/30/27 Deliveries	7,460,191,682 kWh
Proposed RDM Adj. Factor	($0.00193) per kWh

➔ Continuing to work out internally

This is for illustrative purposes only to aid in understanding underlying concept! Actual rate calculations would be based on actual credits and will be within the context of another year's revenue collection and adjustments.

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Appendix: Refresher slides on Standards and Timeline

Investment Proposal Purpose (LCP Standards § 7.2)

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7.2 Purpose

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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.

Preliminary – For Discussion Purposes Only

Proposal Contents (LCP Standards § 7.3) – Part 1

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

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Proposal Contents (LCP Standards § 7.3) – Part 2

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

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Filing discretion

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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

Ongoing

Council collaboration

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

1

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)

2

2 weeks prior

Pre-vote review window

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

November 2

3

Filing week

Council endorsement vote

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

November 19

4

Filing date

Proposal filed with PUC

Company files DSM Proposal with PUC.

November 20

5

3 weeks after

Cost-effectiveness memos

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

December 11

6

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)?

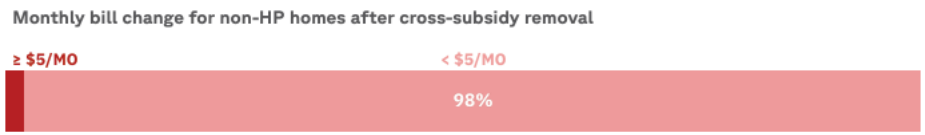


Figure 28: Average monthly bill change — all non-HP homes after cross-subsidy removal (Statewide)

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

Rhode Island Energy™
a PPL company

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 re
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

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Rate Case: Settlement

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

§ 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.