# STATE OF RHODE ISLAND

**DIVISION OF PUBLIC UTILITIES & CARRIERS**
**Legal Section**
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November 30, 2022

**VIA ELECTRONIC MAIL**
Luly Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

**RE: Docket 22-33-EE – The Narragansett Electric Company d/b/a Rhode Island Energy's Annual Energy Efficiency Plan for 2023**

Dear Ms. Massaro:

Attached hereto is the Division's Response to the PUC's first set of data requests.

Very Truly Yours,

Margaret L. Hogan

cc: Service List

**STATE OF RHODE ISLAND**
**PUBLIC UTILITIES COMMISSION**

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| **IN RE: THE NARRAGANSETT** | **:** | |
| **ELECTRIC COMPANY 2023 ANNUAL** | **:** | **DOCKET NO. 22-33-EE** |
| **ENERGY EFFICIENCY PLAN** | **:** | |

**DIVISION'S RESPONSE TO THE PUBLIC UTILITIES COMMISSION'S FIIRST SET OF DATA REQUESTS**

1-1. On page 26 of its testimony, the Division states that this plan year may present an opportunity for the Commission to reset and right-size the budget for post-pandemic conditions to be aligned with realistic spending projections, based on the year-end results of 2020, 2021, and 2022. Does the Division have recommendations as to what the right-size budget should be for 2023? If so, please provide an explanation of recommended budget adjustments and provide support for those recommendations.

**RESPONSE: PREPARED BY JOEL MUNOZ**

The Division notes at the outset that its primary goal of right-sizing the budget is to ensure that the Company collects the appropriate amount of revenue from customers at the appropriate time. The Division's recommendations for right-sizing the budgets are not intended to direct the Company to redesign their programs or to curtail their efforts to implement cost-effective programs that meet customers' demand for energy efficiency services.

Based on the historical data provided below and for the reasons outlined in the Division's Direct Testimony pages 24-26, the Division recommends a right-sized budget for the 2023 EE Plan – Electric Budget of $95,000,000, or 93% of the Company's proposed 2023 Electric Budget.

Please note that the Division would like to reserve the right to consider testimony, spending updates for the 2022 EE Program Year, and other evidence that may be presented at the hearing that would serve to guide its recommendation further or possibly even to alter its recommendation.

Additionally, the Division also acknowledges that if the Company succeeds in spending more than the Division's recommended $95,000,000, then the plan has built-in guidelines for notifying the Division and/or the Commission of the need to overspend. The Company followed these exact same guidelines when it requested and received support from the Division for the $4.5 million gas overspend ($5 million with the shareholder incentive included) in Docket 5189.

Table 1 provides a summary of the budgets and spending for Electric EE from 2017 to 2023.

**<u>Table 1</u>: Electric EE Budgets and Spending, 2017-2023**

| EE Plan Year – Electric ($000) | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 (Forecasted) | 2023 (Proposed) |
|---|---|---|---|---|---|---|---|
| Implementation Budget | $88,510.5 | $86,933.4 | $97,846.9 | $106,029.4 | $111,286.3 | $105,281.1 | $102,661.7 |
| Actual Spend | $88,348.2 | $85,214.6 | $100,729.2 | $88,224.3 | $94,564.0 | **$89,500.0* | |
| Percentage of Budget Spent | 100% | 98% | 103% | 83% | 85% | 85% | |
| Year-End Balance | $9,414.8 | $0.2 | $3,745.2 | $22,821.4 | $20,359.2 | $38,994.8 | |

**Please note that the $89,500.0 figure in the 2022 (Forecasted) column was not specifically provided in the Third Quarter Report in Docket 5189 but derived using the forecasted implementation Budget and Percentage of Budget Spend, figures that were provided in the Third Quarter Report.*

The Division used the budgets and spending levels for the 2020, 2021 and 2022 EE Plan Years to define a potential funding level for 2023. In one of the COVID years, Program Year 2021, the Company proved it could spend $95,000,000. The Division considers this to be a reasonable recommendation, which matches spending in prior COVID years.

The Division notes that many of the factors which have negatively affected the EE program in the prior three years are still problematic today. Supply chain issues, labor constraints, inflation, and higher interest rates for commercial customers (who need to secure financing for improvements) all continue to hamper the EE program. The Division is also cognizant that the Company's EE team is in a reorganizing and rebuilding mode. As such, the Division finds that funding for the EE program needs a temporary right-sizing adjustment so that collection from ratepayers will realistically align with the Company's recent ability to spend its allocated budgets. The Company's Joint Reply Testimony, pages 3-6, outlines the activities that the Company is undertaking to prevent a large Year-End Balance fund in next year's EE Program Year 2024 filing.

The Division submits that the Company should take the lead in determining how it should reduce the Electric budget to $95,000,000, as recommended by the Division. To assist the Company in that endeavor and to be completely responsive to the Commission's inquiry, the Division makes the following suggestions for the Company and Commission to consider.

The nearly $7.7 million cut in the Electric budget could come out of the Electric C&I Budget exclusively, because that is the source of the recently updated Projected Year-End Balance of nearly $39 million in the 2023 EE Plan filing. This would entail allowing an Electric C&I Budget of $41,214,600 or a funding level of approximately 84% of what RIE is proposing in its 2023 EE

Plan filing. Table 2 provides a summary of the budgets and spending for Electric C&I from 2020 to 2023.

**Table 2: Electric C&I Budgets and Spending, 2020-2023**

| Electric C&I Budget ($000) | 2020 | 2021 | 2022 (Forecasted) | 2023 (Proposed) |
|---|---|---|---|---|
| Implementation Budget | $44,173.1 | $56,701.6 | $49,564.1 | $48,876.3 |
| Actual Spend | $43,070.3 | $42,270.7 | $39,155.6 | |
| Percentage of Budget Spent | 98% | 75% | 79% | |

The nearly $7.7 million cut in the Electric C&I budget could come out of the Large Commercial Retrofit and the Large Commercial New Construction programs, because these programs are driving the large Projected Year-End Balance in 2022. Table 3 and Table 4 provide a summary of the budgets and spending for the Large Commercial Retrofit and the Large Commercial New Construction programs from 2020 to 2023.

**Table 3: Large Commercial Retrofit Budgets and Spending, 2020-2023**

| Large Commercial Retrofit ($000) | 2020 | 2021 | 2022 (Forecasted)* | 2023 (Proposed) |
|---|---|---|---|---|
| Implementation Budget | $23,801.3 | $31,565.2 | $25,010.5 | $22,389.4 |
| Actual Spend | $21,657.0 | $23,407.6 | $21,759.1 | |
| Percentage of Budget Spent | 91% | 74% | 87% | |

**Please note that at the time of the Company's Third Quarter Report filing in Docket No. 5189, the 2022 Forecasted Year-to-Date Spend in the Large Commercial Retrofit was $7.2 million or 29%.*

**Table 4: Large Commercial New Construction Budgets and Spending, 2020-2023**

| Large Commercial New Construction ($000) | 2020 | 2021 | 2022 (Forecasted) | 2023 (Proposed) |
|---|---|---|---|---|
| Implementation Budget | $5,335.7 | $56,701.6 | $9,034.1 | $8,331.3 |
| Actual Spend | $8,188.2 | $8,293.7 | $3,523.3 | |
| Percentage of Budget Spent | 119% | 101% | 39% | |

The Company could fund both Large Commercial programs at 75% of its 2023 Proposed Implementation Budgets, i.e., fund the Large Commercial Retrofit Implementation Budget for 2023 at $16,792,050 and the Large Commercial New Construction Implementation Budget at $6,248,475.