

December 8, 2023

Chairman Ronald T. Gerwatowski  
Commissioner Abigail Anthony  
Commissioner John C. Revens, Jr.  
Rhode Island Public Utilities Commission (PUC)  
89 Jefferson Boulevard  
Warwick, RI 02888

## 23-35-EE Stakeholder Comments on 2024-2026 Energy Efficiency Plans

Dear Commissioners,

Acadia Center, Green Energy Consumers Alliance, and Conservation Law Foundation appreciate the opportunity to submit comments in Docket No. 23-35-EE, Rhode Island Energy's (the Company) 2024-2026 Three-Year and 2024 Annual Energy Efficiency Plans (2024-2026 EE Plans). These comments are intended to supplement discussions held during Energy Efficiency Technical Working Group (EE TWG) meetings, Energy Efficiency Equity Working Group (EE EWG) meetings, and during public comment opportunities before the Energy Efficiency and Resource Management Council (EERMC). Thank you in advance for the Public Utilities Commission's (PUC) review and consideration of this input and set of recommendations.

### Increase Energy Savings Goals and Program Budgets

Energy efficiency remains the most cost-effective way to reduce greenhouse gas emissions and has played a major role in helping the Northeast lower carbon pollution. The Public Utilities Commission (PUC) should require Rhode Island Energy (the Company) to aggressively pursue all cost-effective energy efficiency that is prudent, reliable, aligned with the Act on Climate, and lower than the cost of procuring additional supply. This should result in increased FY2024 investments aligned with the energy saving targets reflected in the Maximum Achievable Scenario illustrated in the Rhode Island Energy Efficiency Market Potential Study Refresh,<sup>1</sup> and updated to reflect any relevant market conditions and policy changes that have occurred since the publication of that study in April. As Acadia Center has highlighted in past plan development processes,<sup>2</sup> there is ample justification for Rhode Island Energy to propose savings and investments beyond the illustrative 5 percent cap guidance.<sup>3</sup> The Company itself notes, "energy

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<sup>1</sup> Rhode Island Energy Efficiency Market Potential Study Refresh. <https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2023-06/2321-EERMC-AppendixA.pdf>. April 6, 2023.

<sup>2</sup> Acadia Center Comments on FY 2023 Energy Efficiency Plan. <https://acadiacenter.wpenginepowered.com/wp-content/uploads/2022/11/Acadia-Center-Comments-on-Rhode-Island-FY-23-EE-Plan-Filing.pdf>

<sup>3</sup> PUC guidance from Docket 5076's Order 24225 and Docket 5189's Order 24440 reads: "The Parties could propose budgets higher than the 5% incremental increase. However, in the event that National Grid [now RI Energy] proposed a spending budget, or savings targets, that deviated from the spending boundaries, [RI Energy] must present evidence that facts or other information presented at the time when the PUC set the target have since changed justifying those deviations."

efficiency reduces peak demand and lowers long-term base load, reducing the need for investments in distribution, generation, and transmission infrastructure”,<sup>4</sup> benefiting all customers. Increased energy efficiency savings goals and program budgets would also contribute more substantially to fulfilling the PUC’s obligations under the Act on Climate to meet mandatory and legally enforceable greenhouse gas (GHG) emissions reductions of 45% by 2030, 80% by 2040, and net-zero by 2050, relative to 1990 baselines. And, on a regional level, energy efficiency (along with behind-the-meter solar) is increasingly driving meaningful reliability and resource adequacy benefits that are borne out in the planning processes of ISO New England (ISO-NE), which now forecasts energy efficiency as helping to substantially counterbalance the load growth anticipated from the electrification of vehicles and buildings.<sup>5</sup>

### Require Measurable Equity Commitments

Throughout the development of the 2024-2026 EE Plans, Acadia Center and other stakeholders have provided a wide range of comments to the Company regarding efforts to increase participation and customer equity in energy efficiency programs. In 2022, the Company transmitted the findings of recent Participant, Non-Participant, and Multi-Family studies and surveys. Additionally, the Energy Efficiency Equity Working Group (EE EWG) has released its third annual report of recommendations. Yet, the 2024-2026 EE Plans continue to fall short of robust investments to address the many identified and long-standing challenges and to improve delivery of energy efficiency benefits to overburdened and underserved customers. Stakeholders have repeatedly called for specific, measurable equity commitments from the Company, on which it would report with quarterly progress reports. This requires more consistent, transparent collaboration with stakeholders of the EE EWG in the planning, design, delivery, and reporting of its energy efficiency programs.

In neighboring Massachusetts, the most recent Three Year (2022-2024) Energy Efficiency Plan set specific targets that include increased investments and benefits to equitably serve residents in environmental justice (EJ) communities who have been historically underserved, specifically renters and landlords, moderate income residents, language-isolated customers, EJ municipalities and small businesses. Attachment B of the 2022-2024 Three Year Plan was an Equity Targets Framework developed by the Equity Working Group of the Energy Efficiency Advisory Council.<sup>6</sup> Program administrators report on over 25 results-oriented and time-bound measures of equity efforts, with many broken out and reported by sector and underserved customer segment.

We echo and strongly support the EERMC’s proposal for an equity-based component of the Company’s Performance Incentive Mechanism (PIM), which was not adopted by the Company, for consideration by the PUC during this Docket. Over the course of the upcoming Three-Year Plan program cycle, the Company would develop and institute an equity-based component of the PIM utilizing the existing service quality adjustment (SQA) mechanism which has precedent in the current PIM structure. The roadmap consists of one step in each year of the Three-Year Plan. As outlined by the EERMC<sup>7</sup>:

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<sup>4</sup> 23-35-EE – Rhode Island Energy 2024 Energy Efficiency Plan, Section 1.1 Executive Summary.

<sup>5</sup> ISO Newswire. “Next decade will see steady increase in New England’s electricity use, 2023 CELT Report predicts.” May 1, 2023. <https://isonewswire.com/2023/05/01/next-decade-will-see-steady-increase-in-new-englands-electricity-use-2023-celt-report-predicts/>

<sup>6</sup> MA EEAC Equity Working Group. Equity Targets for 2022-2024 Three-Year Plan. <https://ma-eeac.org/wp-content/uploads/Attachment-B-Equity-Targets-Framework-Final.pdf>

<sup>7</sup> 23-35-EE Joint Pre-Filed Direct Testimony of Samuel C. Ross, Craig K. Johnson, and Adrian Caesar, November 10, 2023.

In 2024, the Company would gather data to track a set of measurable equity metrics agreed upon by the Company and Plan stakeholders, with the purpose of establishing baseline values for these metrics as a reference for future goal setting. In 2025, the Company would set non-binding, quantitative goals based on an updated set of measurable equity metrics agreed upon by the Company and Plan stakeholders, which would use the baseline values from 2024 as a reference to assess the appropriate goal values. In 2026, the Company would propose a specific goal for a modified set of equity metrics agreed upon by the Company and Plan stakeholders, which would be incorporated into the PIM as an SQA with an agreed-upon dollar amount of PIM earnings placed at risk against the attainment of the specified goal(s). This proposal would be subject to review and final determination by the PUC in the relevant docket.

In Connecticut, the recently approved 2024 Conservation and Load Management Plan Update<sup>8</sup> successfully incorporated equity into the Performance Management Incentives (PMIs) for the residential and commercial & industrial (C&I) energy efficiency programs of its electric utilities, Eversource and United Illuminating. In order for the Companies to receive the 2024 equity PMI, the Companies must have a specific, detailed, and documented plan in place that enables them to measure program participation in environmental justice communities by the end of 2024. Residential programs must track and achieve increased participation of all electric customers that are coded “hardship,” while C&I programs must have fully executed project agreements for customers in targeted towns.

These equity recommendations are all the more pressing, and should be all the more possible, given the significant influx of energy efficiency and electrification funding expected from the federal government from the Inflation Reduction Act (IRA), which will come attached with significant tracking and reporting requirements – including for the Biden-Harris Administration’s Justice40 initiative.<sup>9</sup>

#### Advance Heating Electrification

In response to feedback from stakeholders, the Company refined its gas efficiency portfolio to shift funds away from natural gas-consuming equipment and toward efficient, electric alternatives. We applaud the Company’s responsiveness to stakeholder feedback, as incentives for gas equipment are inconsistent with progress towards the State’s carbon reduction goals. As part of this Docket, the PUC has a role to play in ensuring that the 2024-2026 Energy Efficiency Plans respond to the directives set forth in the Act on Climate by encouraging more efficient, electric energy consumption in the heating sector.

Air-source heat pumps are at least three times as energy efficient as gas furnaces, and ground-source heat pumps are even more efficient. In this sense, building electrification is itself inherently energy efficiency. As these space conditioning appliances can be long-lived, it is imperative to help customers avoid installations of less capable and less beneficial fossil-fuel burning technologies as soon as possible. Given state climate mandates, there are also risks of stranded gas infrastructure. The Company could offer incentives to advance heating electrification through the Energy Efficiency and System Reliability Procurement Programs and supplement incentives by coordinating with available funding from the Regional Greenhouse Gas Initiative or other sources.

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<sup>8</sup> 2024 Plan Update to Connecticut’s 2022-2024 Conservation & Load Management Plan. November, 1, 2023.

<https://app.box.com/s/ojnoih95n5ghws789sskzsbmou2mymdk>.

<sup>9</sup>The White House. “Justice 40: A Whole-of-Government Initiative.”

<https://www.whitehouse.gov/environmentaljustice/justice40/>.

The PUC should immediately end any incentives for fossil fuel space heating, water heating, and cooking equipment. New construction and residential new construction in particular should be all-electric. Allowing new construction to connect to the gas system commits that building and its occupants to decades of inefficient, emitting energy consumption in direct opposition to clear public policy mandates enshrined in the Act on Climate. In coordination with the System Reliability Procurement (SRP) program, the EE programs should include a diversionary program to avoid new gas connections and instead encourage customers to transition to electric heat pumps and other electric appliances.

There is growing momentum across neighboring states in the region to solidify an approach rooted in energy efficiency and electrification, including most notably through a recent Order by the Massachusetts Department of Public Utilities (DPU).<sup>10</sup> Rhode Island too must take the opportunity to align its Energy Efficiency program planning with the parallel work underway in its own Future of Gas proceeding.

### Additional Recommendations

As the Company realizes fewer savings from lighting measures, it has an opportunity to pivot to impactful new strategies in 2024, including:

- Accelerated conversion of electric resistance space heating to efficient heat pumps.
- Conversion of fossil fuel-fired and electric resistance water heaters and clothes dryers to highly efficient electric heat pump water heaters and clothes dryers.
- Opportunities for synergies between peak demand/grid services programs like ConnectedSolutions and efficient appliances with a storage or time-shifting element, such as heat pump water heaters.
- More robust workforce development and other vendor support in the air-source and ground-source heat pump market segments.
- Development/review/refinement of approved contractor lists for heat pump water heaters and ground source heat pumps.
- Continuing education for vendors on “Approved Contractor” lists.
- Pathways for contractors delivering measures as part of the “Bring-your-own-contractor” program to join the “Approved Contractor” lists.
- Education opportunities for sales staff at retail vendors to better inform customers on the energy-efficiency, health, safety, and climate benefits of products, particularly the higher efficiency offered by technologies like heat pump water heaters, heat pump clothes dryers, and induction stoves.
- Education opportunities for contractors that work to install appliances on behalf of or in partnership with retail locations, to ensure they understand how to properly install “newer” technologies like heat pump water heaters, heat pump clothes dryers, and induction stoves.

In conclusion, Acadia Center, Green Energy Consumers Alliance, and Conservation Law Foundation appreciate the opportunity to provide comments on the 2024-2026 Energy Efficiency Plans and look forward to working with the PUC, the Company, and all interested and affected parties to improve delivery of program benefits, improve equitable outcomes, and reduce GHG emissions.

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<sup>10</sup> Massachusetts Department of Public Utilities (DPU). Order on Regulatory Principles and Framework. December 6, 2023. Available online at: <https://fileservice.eea.comacloud.net/FileService.Api/file/FileRoom/18297602>.

Sincerely,

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