The Rhode Island Energy Efficiency and Resource Management Council

March 19, 2021

VIA ELECTRONIC MAIL

Luly E. Massaro
Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

RE: Docket #5076 – The Narragansett Electric Co. d/b/a National Grid - 2021-2023 Energy Efficiency Program Plan (Three-Year Plan) & 2021 Annual Energy Efficiency Program Plan (Annual Plan) (filed 10/15/20)

Dear Luly,

Enclosed please find comments from the Energy Efficiency and Resource Management Council, by and through its Consultant Team, for filing in the above-referenced docket.

The comments were approved by the EERMC by vote at its regularly scheduled March 18, 2021 meeting.

Please do not hesitate to contact me should you have any questions in this regard.

Respectfully submitted,
Rhode Island Energy Efficiency and
Resource Management Council
By its Attorney,

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CERTIFICATION

I hereby certify that I filed a true electronic copy of the within response, via electronic mail, on this 19th day of March, 2021, to the Service List for Docket#5076 and to:

Luly.massaro@puc.ri.gov
Luly E. Massaro, Commission Clerk
Public Utilities Commission
89 Jefferson Blvd.
Warwick, RI 02888

Marisa Desautel

Memo

STATE OF RHODE ISLAND
ENERGY EFFICIENCY & RESOURCE MANAGEMENT COUNCIL

To: Rhode Island Public Utilities Commission
From: Energy Efficiency & Resource Management Council
Date: March 19, 2021
Subject: EERMC Comments on the Commission PIM Proposal in Docket #5076 as Noticed on 2/18/2021

I. INTRODUCTION

The Rhode Island Public Utility Commission ("Commission") has asked intervenors to provide comments on the Commission's proposed alternative performance incentive mechanism ("Commission PIM Proposal") for energy efficiency programs in National Grid's 2021 Annual Energy Efficiency Plan ("Annual Plan") and 2021-2023 Energy Efficiency Program Plan ("Three Year Plan").

The Energy Efficiency & Resource Management Council ("EERMC or Council") offers these comments in the interest of fulfilling its statutory responsibilities related to energy efficiency programs in Rhode Island. The specific comments are drawn from Council meeting presentations and discussions, Council priorities, engagement in the Annual Plan and Three Year Plan development processes, as well as a detailed review of the filed Plans which informed the findings contained in the *Cost Effectiveness Report: 2021 Energy Efficiency Plan and National Grid's 2021-2023 Energy Efficiency Three Year Plan* submitted by the Council.[1]

II. SUMMARY

The EERMC appreciates that the latest Commission PIM Proposal has accounted for several areas of stakeholder feedback received by the Commission as part of comments filed in December 2020, as well as during the Technical Session held on February 4, 2021. The Council further acknowledges that the evolution of the Commission PIM Proposal during this period has resulted in increased clarity of intent and has effectively addressed some of the concerns highlighted by the Council and other stakeholders in those proceedings.

In Section III of this memo, the Council responds to the seven topics on which the Commission specifically requested comment. Section IV details the Council's remaining concerns regarding the current Commission PIM Proposal. Section V concludes with the Council's recommendations to the Commission. The remainder of this section summarizes the concerns discussed in more detail in Section IV.

To begin, the Council wishes to highlight an overarching concern that underpins the rest: **The Commission PIM Proposal introduces a disconnect between the narrowed set of program impacts counted in the**

[1] Available at: http://www.ripuc.ri.gov/eventsactions/docket/5076-EERMC-CostEffect%20Report%202021%20EEP;%202021-2023%203YP%20EERMC%20(10-20-20).pdf

proposed PIM ('eligible benefits'), which focus on electric and gas system benefits, and the broader program impacts appropriately captured by the RI Test, which have historically guided program design.

The Commission PIM Proposal effectively excludes a selected set of proven benefits produced by energy efficiency programs, while counting all the costs from programs designed to pursue these benefits. This approach under-estimates benefits and skews cost-effectiveness results, which introduces a bias against energy efficiency in the performance incentive mechanism. This also runs directly counter to the best practices for assessing program costs and benefits, as captured in the National Standard Practice Manual, which specifically states that costs and benefits must be symmetrical – that is, for any category of impacts, it is critical to include or exclude the benefits and costs together to avoid a biased assessment.[2]

Importantly, the 2021 Annual Plan and 2021-2023 Three Year Plan were both designed with the understanding that the RI Test, which does capture symmetrical costs and benefits, would be a primary guiding principle in plan review by the Commission. Therefore, included programs were designed to consider the full set of program impacts covered by the RI Test. As the comments in later sections lay out, the Council has concerns that the Company would not propose similarly robust, equitable, comprehensive, and future-looking Plans under the Commission PIM Proposal. This is because the Commission PIM Proposal steers the Company to prioritize *eligible benefits*, and to reduce or eliminate program activity that does not produce positive net eligible benefits, even if such activity would produce substantial societal benefits and support other priorities.

The 2021 Annual Plan is a positive step that will continue to support Rhode Island's national prominence in energy efficiency. This legacy of leadership is built upon a strong, collaborative planning process, a solid foundation in Least Cost Procurement Law, and effective alignment with State and other stakeholder priorities. The Council has identified concerns regarding four priority areas that are not supported by the Commission PIM Proposal:

> **Equity:** There is a disincentive for National Grid to maintain its robust Residential and Income Eligible programs, which results from these programs' relatively higher contribution to societal benefits captured in the RI Test compared to eligible benefits counted in the Commission PIM Proposal. These programs are likely to be eroded over time as a result. In addition, this could lead to a regressive subsidy, where more money is collected from Residential and Income Eligible customers than is spent there, with these funds flowing to C&I programs rich in eligible benefits.
>
> **Reduce Greenhouse Gas Emissions:** Avoided carbon and NOx emissions are among the societal benefits excluded from the Commission PIM Proposal definition of eligible benefits, but which are included in the RI Test. This deprioritizes efforts to reduce Rhode Island's greenhouse gas emissions and fight climate change. NOx emissions also result in local air pollution with negative health impacts for exposed Rhode Island residents.

[2] https://www.nationalenergyscreeningproject.org/wp-content/uploads/2017/05/NSPM_May-2017_final.pdf

Collaborative Process: The Commission PIM Proposal includes a cross-sector service quality adjustment, which could introduce risk-averse behavior and an adversarial tone to planning processes. This could corrode long-standing collaborative relationships that have been key to Rhode Island's track record of nation-leading energy efficiency programs, and sap resources from the important work of continuous improvement and innovation.

All Cost-Effective Energy Efficiency: Many important efficiency program impacts, which are rightly included in cost-effectiveness as assessed by the RI Test, are not counted in the narrower set of eligible benefits considered in the Commission PIM Proposal. This signals the Company to design plans that only pursue the eligible benefits, at the expense of cost-effective efficiency that produces relatively more societal and other benefits. For example, the Commission PIM Proposal only counts savings on delivered fuel bills that result from weatherization at 50%, even though these are real pocketbook savings for Rhode Islanders. In addition, the restrictions covering incentives when program spending exceeds planned spending eliminates the incentive for National Grid to pursue many cost-effective energy efficiency opportunities their team identifies in the later stages of Plan implementation. Lastly, these limitations collectively reduce the ability of efficiency programs to drive market transformations with lasting benefits to all Rhode Islanders.

Section IV of this memo provides more specific concerns within each of these areas, which have the potential to negatively impact energy efficiency programming in Rhode Island in coming years. In each case, the Council is concerned that the Commission PIM Proposal incentivizes National Grid to pursue a relatively narrow set of program outcomes. This runs counter to the longstanding stakeholder engagement process where a broad array of priorities has historically been discussed, developed, agreed upon and ultimately woven into the Plans through compromise and consensus. Narrowing National Grid's focus may harm years of collaborative work between the Company, the Rhode Island Office of Energy Resources, the Council, the Division of Public Utilities and Carriers, the Technical Working Group, and other stakeholders.

III. RESPONSES TO SPECIFIC COMMENT SOLICITATIONS

1. **Anything that remains unclear about the Commission PIM Proposal.**
   The mathematics and mechanics of the Commission PIM Proposal are generally clear and adequately described[3]. There is one area where the Council feels that additional clarity would be helpful. On slide 5 of the Commission PIM Proposal presentation that was included in the Commission's solicitation of comments (*5076-PUC PIM Proposal 2-18-21.pdf*), the narrow space bounded between the y-axis on the left, the x-axis on the top, and the Rule 4 dotted line on the right and bottom appears to be ambiguously defined in terms of the Performance Space Boundary Rules. In other words, this area corresponds to the performance space covering both a) outcomes where eligible spending is between 100% and 105% and design achievement is below 100%, and b) outcomes where eligible spending is above 105%, and design achievement is between 95% and 100%. The Council believes that the first

[3] Assuming minor corrections noted during February 25th workshop are implemented.

component of this space (a) would most appropriately be covered by Performance Space Boundary Rule 1, while the second component (b) would most appropriately be covered by Performance Space Boundary Rule 3. If the Commission PIM Proposal is adopted, the Council recommends adapting the Performance Space Boundary Rules to incorporate these two components of the performance space as described.

2. **The allocation of regulatory costs.**
   The Council recommends allocating regulatory costs according to either eligible spending budget or total eligible benefits if the Commission PIM Proposal is adopted. Either of these approaches would appropriately reflect a key responsibility of regulatory oversight – ensuring ratepayer funding is appropriately used, and assuring planned benefits are realized.

3. **Whether the graduations included in the Commission PIM Proposal adequately address the concerns about abrupt changes in the prior proposal.**
   Yes, the Council finds that the graduations proposed in the Commission PIM Proposal adequately address the concerns about abrupt changes in the prior proposal. In brief, the Commission PIM Proposal now appropriately provides a smooth increase in performance incentive earnings opportunity as actual performance relative to planned performance improves. However, these adjustments do not address the overarching concerns highlighted elsewhere regarding the disincentive for National Grid to design and pursue robust Residential and Income Eligible programs under the Commission PIM Proposal, among others.

4. **Whether certain gas resource benefits should be categorized as system benefits.**
   The Council supports aligning the set of benefits included in the PIM used to incentivize National Grid with the RI Test as much as possible. Consequently, the Council recommends counting all resource and societal benefits in the eligible benefits, which includes all categories of gas resource benefits as well as all other resource benefits including savings on delivered fuels.

5. **Whether the PUC should adopt the Commission PIM Proposal for one or three years. If adopted for three years, what, if any, parts of the Commission PIM Proposal would change each year, and what would National Grid need to establish prior to the PUC adopting the Commission PIM Proposal for three years.**
   The EERMC recommends adopting a PIM for 2021 for only a single year, affording the opportunity to propose enhancements and adjust for lessons learned during the near-term application of whatever PIM is ultimately adopted.

   As described in further detail in Section III, the Council's most significant concerns regarding the Commission PIM Proposal relate to incentives during the program planning cycle, rather than during program implementation. As a result, the Council believes that whatever PIM is ultimately adopted, it should be adopted for a single year, allowing the performance incentive to again be considered by stakeholders during the 2022 Annual Plan development process. The Commission could also set an expectation that the 2022 Annual Plan submitted to the Commission should include an updated PIM proposal for Commission consideration.

6. **What, if any, impact would the Commission PIM Proposal have on National Grid's ability to deliver programs to renters.**
   The EERMC represents that the Commission PIM Proposal may result in further decreases in program delivery to renters, already a significantly underserved customer segment, over the course of several years. This is primarily because of planning cycle concerns related to the Residential and Income Eligible sectors discussed elsewhere. It is not clear whether renters would be disproportionately affected compared to these sectors as whole. However, because of their interest in avoiding service quality adjustments in the Residential and Income Eligible sectors, the Commission PIM Proposal may motivate National Grid to design plans which only serve customer groups with strong historical participation. This might lead to even less attention and effort allocated to historically underserved populations, like renters, low- and moderate-income customers, and those with a non-English primary language. Further, a significant pocketbook benefit for these customer populations, stemming from weatherization of homes heated with delivered fuels, is weighted at 50% in the Commission PIM Proposal, effectively indicating that dollars saved here do not 'count' as much as electric or natural gas bill savings. In addition, the strong stakeholder consensus that these customer segments warrant increased, not decreased, focus was the motivation for the proposed equity metric, with "renters" serving as the proxy for equitable program design.

7. **To what extent should the rules pertaining to the ability of the Company to transfer funds between programs be modified? Is the requirement that the Commission approve certain transfers necessary in light of the Commission PIM Proposal?**
   If the Commission PIM Proposal is adopted, the Council does not believe the current rules governing transfer of funds should be modified for the period during which this PIM is in place.

   The Council sees important benefits associated with entrusting the Company with the ability to transfer a reasonable share of funds among programs over the course of a program year. To paraphrase a famous saying, all forecasts are wrong, but some are useful. It is the Council's view that this type of flexibility is a necessary tool to ensure that the Company can deliver the best programs possible and to respond in real time to evolving market conditions and program participant behavior. Increasing the need for Commission approval of fund transfers, while a potentially effective oversight tool, would risk delaying important shifts and reducing the Company's ability to be agile in the effort to maintain ongoing alignment between program funding and areas of greatest savings opportunity.

   Conversely, the Council is aware of, and acknowledges, the risk of adverse outcomes under the current fund transfer rules. As an illustration, the Company may have an incentive to plan to allocate relatively more funding to a Residential program with a high average cost to acquire net eligible benefits, and strategically shift that funding to Residential programs with lower average costs to acquire net eligible benefits as a method to ensure no service quality adjustment is triggered. The Council finds that the current fund transfer rules appropriately balance these competing concerns.

IV. POTENTIAL IMPACTS ON COUNCIL PRIORITIES

Equity

Disincentive to Support Robust Residential and Income Eligible Programs: One of the Council's primary concerns related to the Commission PIM Proposal is the incentives created by narrow definition of eligible benefits. Because the efficiency programs in the Residential and Income Eligible sectors, as designed in the 2021 Annual Plan, do not produce positive net eligible benefits, the company does not have an incentive to continue to support the current suite of Residential and Income Eligible programs beyond the current program year. In this way, the Commission's proposal may produce adequate performance from National Grid in the already-submitted plan, but will not provide incentive for National Grid to submit a plan in 2022 that is equally robust. Instead, the Council sees two logical paths forward from the Company's perspective.

Most worrisome is that the Company might seek to significantly reduce the scope of planned activity in these two sectors to limit the risk of a service quality adjustment reducing their performance incentive in the Commercial and Industrial (C&I) sector. Fortunately, there is enough oversight and review of program plans that this would be difficult to accomplish, but it is highlighted here to demonstrate the profoundly un-equitable outcomes that is likely to result if the Commission PIM Proposal becomes the dominant factor in shaping program designs, which will likely be the case if it is adopted.

Second, the Company might seek to restructure the programs to only provide the subset of services that they are very confident they can deliver with positive net eligible benefits. For example, other jurisdictions with less robust Residential and Income Eligible programs offer few in-home assessments and heating system upgrades, and instead rely on cheap, lower-impact efforts like mail kits with LED lightbulbs and faucet aerators, and home energy reports. Down this second path are two likely outcomes, both concerning. On one hand, the company may put forward narrow, targeted programs that are not much different than the substantial downsizing described above, again in the interest of avoiding a reduced C&I opportunity. On the other hand, the Company may employ the 'gaming' fund shifts described in Section II, part 7, resulting in a 'cream skimming'[4] program that enables the Company to reach the outsized earning opportunity in the Residential and Income Eligible sectors put forward in the Commission PIM Proposal. In the Council's view, this second outcome risks paying the company a positive performance incentive in future years for delivering smaller, less equitable, and less comprehensive programs for the

[4] 'Cream skimming' refers to an approach to program implementation where only the easiest and cheapest savings opportunities are pursued, often in the pursuit of short-term goals at the expense of building sustainable longer-term programs.

Residential and Income Eligible sectors, that produce fewer societal benefits and meet fewer Council and other stakeholder priorities.

Regressive Subsidization: The Council firmly believes that all ratepayers contributing through the system benefit charge (SBC) should have robust efficiency programs available to them in which they can choose to participate. Under the Commission PIM Proposal, National Grid's motivation to design smaller, less robust Residential and Income Eligible programs has the deeply adverse consequence of creating a subsidy, funded by these sectors, to support investment in Commercial and Industrial programs which happen to produce a larger share of eligible benefits. The current electric SBC collects at a single rate across all ratepayers. As a result, the Commission PIM Proposal risks collecting funds from Residential and Income Eligible customers and funneling those dollars into Commercial and Industrial programs. This means Rhode Island's low-income residential customers would be subsidizing the commercial and industrial community, a strongly regressive and problematic outcome.

It is also important to point out that reducing Residential and Income Eligible programs will negatively impact Rhode Island's energy efficiency contractor workforce, many of whom work for the small businesses that form the backbone of our economy. These businesses have been hard hit by the COVID-19 pandemic. Now is not the time to reduce support for robust, sustainable energy efficiency programs that drive reduced energy bills for customers and support the local economy with clean energy jobs.

Reducing Greenhouse Gas Emissions

Consistency with State Energy Policy: One of the Council's stated energy efficiency priorities in 2020, related to the planning process for the 2021 Annual Plan and the 2021-2023 Three Year Plan, was consistency with state energy policies & goals. It is well-established that robust, comprehensive energy efficiency will be an integral resource to meeting a wide range of state energy goals, including the 100% clean electricity by 2030 goal which when issued, set the tone for state-level reductions in greenhouse gas emissions and climate change policies across the nation. This policy remains among the most ambitious and forward-thinking state climate policies and goals in effect today. The Commission PIM Proposal, by excluding avoided carbon and NOx emissions from the set of eligible benefits that are incentivized, sends a signal that these program impacts are not a priority for the energy efficiency plans.

***Build Capacity for the Future of Energy Efficiency*:** As described below under 'Market Transformation', energy efficiency programs, in the long term, drive market transformations for various energy consuming technologies, and eventually support a wider array of efficient technologies, sometimes entirely displacing older, less efficient options. While the industry's accomplishments to date in areas like LED lighting are laudable, Rhode Island and other states have ambitious climate goals that clearly require similar transformations of the markets for other energy-consuming technologies, including the many opportunities related to HVAC and envelope efficiency measures identified in Rhode Island's Energy Efficiency Market Potential Study[5]. Without robust energy efficiency portfolios in all sectors, energy

[5] http://rieermc.ri.gov/wp-content/uploads/2020/06/dunsky-ri-ee-market-potential-study-final-results-dr-update-2020-06-09-v2-1.pdf

efficiency's ability to drive market transformation and cost-effectively contribute to the fight against climate change will be substantially weakened.

Collaborative Process

Obligated or Incentivized, Part 1: The Council strongly believes that the success of Rhode Island energy efficiency programs in the past decade has been driven in no small part by the collaborative nature of the planning and oversight process. The Commission PIM Proposal has two features which the Council is concerned may threaten the continuation of historic collaborations:

i. The explicit service quality adjustment will operate much like a financial penalty for underperformance under most normal program years. It is well-established across the efficiency industry that penalties are not effective motivations for efficiency programs. When a potential reduction in earnings is present, especially in historically underserved sectors like Income Eligible which are seen as 'challenging' or 'hard to serve' by some industry participants, it creates an adversarial dynamic, where stakeholders who wish to promote efficiency services for underserved sectors are at odds with a company rationally seeking to avoid potential losses in income. This concern may also apply to programs exploring emerging technologies, novel delivery pathways, or other features that are valued by stakeholders, but may be perceived as less reliable than 'tried and true' efficiency program designs by the Company.

ii. The Commission PIM Proposal's eligible benefits clearly signal the Company to prioritize pursuing eligible benefits, and to reduce or eliminate spending that does not produce positive net eligible benefits because such spending would in many cases go against the Company's financial interests. The Council is keenly aware of their obligations related to Least Cost Procurement law, including supporting energy efficiency programs that capture all cost-effective energy efficiency that is less than the cost of supply and is deemed prudent and reliable by Council members. Since cost-effectiveness under the RI Test considers many benefits not counted under the Commission PIM Proposal, the Council will be put in the position of trying to encourage the Company to pursue spending on program activities that, in many cases, risk explicitly making the Company financially worse-off. At minimum, this will strain the collaborative relationships built over many years of efficiency planning and oversight. Worse, this disconnect risks creating entrenched battle lines that absorb significant resources and distract from the important work of continuously improving and advancing Rhode Island's energy efficiency programs.

All Cost-Effective Energy Efficiency

Obligated or Incentivized, Part 2: As noted above, under Least Cost Procurement law, the Company is obligated to pursue all cost-effective energy efficiency. If they are only incentivized to pursue a subset of that efficiency that happens to produce positive eligible benefits under the Commission PIM Proposal, this inherently produces an adversarial interaction between the Council, stakeholders, and the Company. There is one additional concern worth raising here, which is the lack of meaningful tools for the Council to now fulfill its obligations under Least Cost Procurement law.

If the Council can no longer participate in settlement processes that include a performance incentive mechanism as part of the discussion, it will be very challenging to encourage the Company to plan for actions that align with Least Cost Procurement rather than with the exogenously determined Commission PIM Proposal. In other words, the EERMC would have little negotiating power to push National Grid to pursue all cost-effective energy efficiency and maximize societal benefits. As a result, it seems likely that many resources will be expended during planning processes with little impact, simply due to the misalignment between the Council's obligations under Least Cost Procurement (i.e. pursue all cost-effective efficiency, as defined by the RI Test, that is less than the cost of supply and is prudent and reliable) and the Company's interests under the Commission PIM Proposal (i.e. pursue only the subset of that efficiency which produces positive eligible benefits and therefore has a positive impact on the Company's earning opportunity).

Spending Constraints above 100% of Planned Budget: The Commission PIM Proposal includes restrictions on incentives for program spending that exceeds planned spending – specifically, all spending after this point must produce eligible benefits more efficiently than the overall portfolio was designed to achieve to produce an additional earning opportunity for National Grid. This restriction presumes unrealistically fine-tuned control over plan implementation. Many elements of programs are designed well in advance, have long lead times for when claimable savings will materialize, are based on historical averages and subject to normal market variability, and require sending consistent messaging to the marketplace. The National Grid team often uses analogies such as steering a large ship to describe the level of control and agility they feel they can exercise once implementation is underway.

Given this, it is concerning that the constraint describe above eliminates National Grid's incentive to pursue all cost-effective energy efficiency opportunities their team identifies in the later stages of Plan implementation, unless those opportunities happen to produce eligible benefits more cost-efficiently than average. As captured by the Energy Efficiency Targets recommended by the Council and approved by the Commission[6], the Council supports pursuing all cost-effective energy efficiency that is less than the cost of supply and is prudent and reliable at all stages of program implementation.

Market Transformation: There are two common reasons energy consumers select efficient technologies: because they independently want to do so (perhaps they have done the bill impact math, perhaps they care about their carbon footprint), or because a utility has motivated them to do so. However, there is a third reason many energy users select efficient technologies – because the inefficient alternative is now obsolete and cannot be purchased, so the efficient technology is the only option. This third point is critical to why energy efficiency programs are valuable to society over long time scales – they help drive market transformation, which benefits everybody by reducing the average energy intensity of energy-using products. The transformation of lighting is a great example of this – energy efficiency programs no longer need to pay for efficient lighting, yet all Rhode Islanders benefit.

[6] http://www.ripuc.ri.gov/eventsactions/docket/5023-EERMC-Targets-Yrs2021-2032Memo%20+%20Slides_2020_03_23.pdf

Energy efficiency technologies produce system and societal benefits that do not accrue to the efficiency technology's owner – positive economic externalities. Economic principles indicate that the private market under-provides goods and services that produce positive externalities. Indeed, correcting this under-provision is often a central reason for supporting energy efficiency through ratepayer funded programs in the first place. This is why market transformation is an important societal contribution of energy efficiency programs and should be considered as a future benefit of maintaining robust programs across a wide range of technologies today. This is true even when some of those technologies do not produce energy system benefits as efficiently as other technologies with more fully developed markets.

Over shorter time scales, energy efficiency programs and efficient technology savings calculations are measured against a baseline derived from energy codes, building codes, current market baselines, and federal or state technology standards. While this makes sense from the perspective of determining claimable savings for an energy efficiency program, it misses a significant element of the societal contribution of energy efficiency programs writ large.

Over longer time scales, market transformation is a material contribution from energy efficiency – the baselines become endogenous, as program support drives improved market adoption, and codes and standards follow. The resulting decrease in program claimable savings – though not gross savings for Rhode Islanders – stems from market transformation driven by sustained programmatic support. This is a goal worth pursuing with efficiency programs.

V. RECOMMENDATIONS TO THE COMMISSION

Upon reviewing and discussing the current Commission PIM Proposal, the Council finds a range of concerns associated with the disconnect between the set of program impacts appropriately captured by the RI Test and the narrower set of impacts counted in the Commission PIM Proposal as eligible benefits. The Commission PIM Proposal may function adequately for the 2021 program year, as it would be applied to programs designed with the RI Test as their guiding principle. However, the tensions created for the planning process for future program years are concerning, and stem directly from the incentives under the Commission PIM Proposal.

The Council has two central recommendations for the Commission:

1) Adopt a PIM for only a single year. Regardless of the final structure, the Council sees a compelling interest in allowing stakeholders to consider putting forward a new PIM for Commission consideration in the 2022 and 2023 planning cycles, especially considering the many outstanding concerns at this late stage in the proceedings regarding the PIM for the 2021 Annual Plan
2) Improve alignment between the definition of eligible benefits in the Commission PIM Proposal and the set of benefits included in the RI Test. **Full alignment between the costs and benefits of these two mechanisms would be best.** If the Commission still seeks to differentiate between

eligible benefits and RI Test impacts in whatever PIM is ultimately approved, specific recommendations for adjustment are:

a. Include all resource benefits at 100% for all energy resources, including delivered fuels.
b. Include avoided greenhouse gas emissions, including carbon and NOx.
c. To maintain symmetry between the costs and benefits that are considered by the PIM, any differences between eligible benefits and the benefits included in the RI Test should be mirrored by adjustments to the costs that are included in the PIM.

In addition, the Council encourages the Commission to approve a performance incentive mechanism that encourages program innovation and comprehensiveness in all sectors.

The Council also reaffirms its interest in fulfilling its statutory role to support planning and oversight of Rhode Island's energy efficiency programs. The Council will certainly take notice of any clarifications or recommendations the Commission wishes to offer regarding how the Council can best accomplish this goal under whatever performance incentive mechanism is ultimately approved.

Lastly, the Council recognizes that robust, comprehensive, and sustained energy efficiency programs are an important part of the least-cost solution to providing reliable energy services to Rhode Island ratepayers, as well as supporting Rhode Island's overarching economic, energy, and environmental goals.