



Acadia
Center

 **GREEN ENERGY
CONSUMERS ALLIANCE**



June 22, 2021

Representative David A. Bennett
Chair, House Environment and Natural Resources Committee
Rhode Island State House
Providence, RI 02908

re: Acadia Center, Green Energy Consumers, Northeast Clean Energy Council, and The Nature Conservancy joint comments on H 6144 Sub A.

Dear Chairman Bennett and Members of the House Environment and Natural Resources Committee,

The clean energy and environment advocates signed onto this letter respectfully urge the Committee to vote to pass the original H 6144 *without* adopting the SubA introduced today.

In addition to the undersigned organizations, extending the “Least Cost Procurement” (“LCP”) commitment to energy efficiency (as passed by the Senate as S-634) is a top priority of the Environment Council of Rhode Island, which represents over 60 environmental organizations. Together, we support the language of H6144 ably led by Chairwoman Ruggiero. Energy efficiency is crucial to keeping ratepayer costs low and reducing greenhouse gas emissions in line with our statutory climate goals.

The original House Bill 6144, as well as the version passed by the Senate as S-634, is a simple extension of State’s “Least Cost Procurement” policy through 2036. Least Cost Procurement was initially created 15 years ago. It ensures that the electric utility invests in energy efficiency measures that are less expensive than buying additional electric or natural gas supply. This ensures that the utility is investing things like in home energy audits and cost-saving mechanisms such as efficient lighting in homes and businesses, and efficient appliances - *not* more expensive and polluting energy. The programs are subject to rigorous cost-effectiveness review and have extensive oversight from both the Energy Efficiency and Resource Management Council (the “EERMC,” a public body created by the LCP Statute) and the Public Utilities Commission (PUC).

The EERMC submits an annual report to the Governor and General Assembly about the program. Their 2020 report (which is based on the 2019 program year) describes the extensive benefits of Least Cost Procurement, including more than 1 million metrics tons of greenhouse gas emissions prevented from measures installed during the 2019 program year. Least Cost Procurement is also effective economic development for the state: in 2019, it provided a total of \$605 million in total benefits – nearly a 6:1 ratio of benefits to costs. It also supported over one thousand Rhode Island firms and hundreds of FTEs.

Over the life of Least Cost Procurement, the EERMC estimates that it has saved approximately 12,000 gigawatt hours of electric consumption. This means that instead of Rhode Island’s electric consumption growing by 10% between 2005 and 2019, it is actually 10% lower than it was in 2005. This equates to less burning of fossil fuels (as our electric grid is still primarily fueled by natural gas).

Rhode Island has long been a leader in energy efficiency policy. We are consistently ranked near the top of the American Council for an Energy-Efficient Economy’s annual ranking of states (normally right behind states like California and Massachusetts). This is a program that is working well – but it set to expire next year and needs a simple extension.

The proposed SubA makes five significant changes to the program that could have negative impacts on Rhode Island ratepayers and our climate reduction ambitions. We caution that there is a significant risk of severe unintended consequences and should be discussed as part of a larger conversation on energy and climate policy goals before enactment. The undersigned urge the committee to pass H6144 *without* the proposed SubA and to work with stakeholders—including the administration, state agencies, and advocates, among others—over the coming months to put together consensus legislation that could explore and refine the types of dramatic changes proposed in the SubA. What is needed now is a simple extension. This program is too important to risk making substantial changes without sufficient care and deliberation.

The SubA makes five consequential changes to the originally proposed program extension:

1. The SubA shortens the extension from 2035 to 2028.
2. The SubA creates a study commission to look at incorporating transportation investments into the systems benefit charge.
3. The SubA transfers \$5,000,000 annually to the Rhode Island Infrastructure Bank to administer energy-related financing programs without oversight by the EERMC.
4. The SubA creates a Clean Energy Fund within the Rhode Island Infrastructure Bank.
5. Finally, the SubA removes the utility incentive for administering the efficiency program.

We caution against the wholesale removal of the utility performance incentives, as this is a critical tool that the regulator (the PUC) has to influence how the utility designs and executes an effective efficiency program. In fact, over the last few years, stakeholders have been involved in an extensive process to fine tune the utility incentive such that the utility is only making as much money as it earns for doing a good job running the efficiency programs.

Historically, utility decisions are made based on how they can maximize their return on equity (poles and wires). In essence, their primary business model (outside of the efficiency program) incentivizes the development of additional grid infrastructure. In recent years, regulators have started to recognize the value of “performance-based regulation.” Performance based regulation means that we would incentivize utilities to create public benefits, like energy savings, rather than simply make money from building out the gas and electric systems. By forbidding the PUC from approving performance incentives, this SubA would limit how state agencies can regulate the energy efficiency programs through incentives—essentially allowing the utility to design the programs that best serve their needs, not necessarily those of Rhode Islanders.

With the new challenges and opportunities that lie ahead with the implementation of the Act on Climate legislation, as well as the upcoming sale of Narragansett Electric, we will need to have strategic conversations as a state about the best policy solutions to meet our needs. These conversations should include leadership from the state government – the General Assembly, the Governor and their teams, the Public Utilities Commission, the Energy Efficiency and Resource Management Council, and also the broad stakeholder community across the state – the business community, environmentalists, those employed in clean energy jobs, clean energy businesses, ratepayers and ratepayer advocates, housing advocates, and others. We would welcome the opportunity to work alongside you and your colleagues on these solutions. But it is premature to make major and potentially counterproductive changes before the formation of the commission.

However, in the meantime, we respectfully request that you support the simple extension of a program that is already working to reduce carbon emissions and lower ratepayers’ bills in the state and simply extend Least Cost Procurement through passage of the original version of House Bill 6411. The issues raised in the SubA can and should be discussed and explored with adequate time for stakeholder engagement and conversation.

Thank you for your leadership with this legislation. We look forward to working with you on this going forward.

Sincerely,

Hank Webster, Acadia Center
Kai Salem, Green Energy Consumers Alliance
Jeremy McDiarmid, Northeast Clean Energy Council
Sue AnderBois, The Nature Conservancy