Nicholas S. Ucci
Director of Government Affairs
Rhode Island Energy

280 Melrose Street
Providence, Rhode Island 02907
nsucci@rienergy.com

Rhode Island Energy™
a PPL company

February 14, 2023

The Honorable Marvin L. Abney
Chairman, House Committee on Finance
Rhode Island State House, Room 35
Providence, Rhode Island 02908

RE: H-5200, Article 5, Section 4 – Relating to Energy and the Environment

Dear Chairman Abney:

On behalf of Rhode Island Energy, I am writing in opposition to the provisions of H-5200, Article 5, Section 4, which seek to amend Rhode Island General Laws §39-2-1.2, entitled "Utility base rate — Advertising, demand-side management, and renewables."

Rhode Island Energy strongly supports the state's clean energy and greenhouse gas emissions reduction goals. However, the provisions of Article 5, Section 4 would:

- increase rates and siphon $4.5M of electric and natural gas ratepayer funds for non-electric and non-gas system uses;
- jeopardize the strength of nation-leading, cost-effective energy efficiency programs which have been foundational to Rhode Island's clean energy success to date;
- disrupt vendor and workforce relationships throughout our green economy which, today, support more than 1,100 contractors and subcontractors, and 1,000 employees – most of which are local;
- run counter to industry best-practices, which have driven energy innovation and supported delivery of billions of dollars in benefits to our local economy since 2009; and
- exert Executive Branch decision making into well-established, transparent, stakeholder-driven utility regulatory processes and oversight.

In sum, this proposal would raise rates and undermine the centerpiece of our clean energy transformation to date which, in turn, could set back the policy goals of the Act on Climate. For these and other reasons detailed below, Rhode Island Energy urges the Committee to again reject this proposed legislation.

The state's utility-administered energy efficiency programs have been routinely hailed as a national leader that have driven significant energy consumption and cost reductions for ratepayers. Today's structure has resulted in Rhode Island's programs being placed among the very best and most innovative in the U.S. since 2009, as ranked by the American Council for an Energy-Efficient Economy (ACEEE).[1] Thanks to utility innovation and administration, strong

[1] The ACEEE is a nonprofit research organization that "develops transformative policies to reduce energy waste and combat climate change." For more information, please visit their website at: www.aceee.org/.

Nicholas S. Ucci
Director of Government Affairs
Rhode Island Energy

280 Melrose Street
Providence, Rhode Island 02907
nsucci@rienergy.com

Rhode Island Energy™
a PPL company

regulation, substantial stakeholder engagement, and a vibrant network of vendors and workers, our programs have delivered more than $4.5 billion in realized benefits to the economy since 2009. As noted in the Rhode Island Energy Efficiency & Resource Management Council's (EERMC) 2022 Annual Report, energy efficiency measures installed in 2021 alone will help prevent 720,000 metric tons of greenhouse gas emissions from entering our atmosphere – equivalent to taking 154,556 cars off our roadways. In addition, "because savings persist over the lifetime of the measures installed, the cumulative savings realized in 2021 account for over 19% of what the electric load would have been absent the energy efficiency programs."[2]

Regarding Rhode Island's burgeoning green economy, continuity of administration and continued utility innovation have not only delivered substantial benefits to Rhode Island ratepayers, but to local business and workers, too. Today's structure has helped build a network of more than 1,150 contractors and subcontractors engaged in the delivery of energy efficiency services – 59% of which are headquartered in Rhode Island. In 2021, more than 1,000 employees were engaged in work supported by the utility's energy efficiency investments, most of which were local. More broadly, prior to the COVID pandemic, 6 out of every 10 clean energy jobs in the state were tied to the energy efficiency sector.[3] A dramatic shift in the state's approach toward energy efficiency administration and regulatory structure threatens to disrupt these gains.

The provisions of this bill would also deny the use of thoroughly regulated, performance-based or other utility incentives that have, historically, been a critical component in driving energy innovation across the state. When tied to energy efficiency program outcomes, as is done in Rhode Island, state regulators can utilize such incentives as an effective tool to balance utility and consumer interests, advance important public policy goals, and help drive high performance and innovation. To remove them from the equation altogether is contrary to industry best practices and ties the hands of both the utility and its regulators in advancing mechanisms that have routinely driven positive, cost-beneficial outcomes for energy consumers, our energy system, and our economy.

According to experts at the ACEEE, such incentives place "energy efficiency investments on the same footing as other types of utility investments (e.g., in new power plants or transmission and distribution) that are allowed to earn a rate of return. Incentives help compensate the utility for the earnings opportunities it forgoes when it does not have to invest as much in its supply infrastructure because of reduced demand."[4] Rocky Mountain Institute (RMI), a non-partisan, non-profit organization that works to transform global energy systems, has written that "(p)erformance incentive mechanisms (PIMs) are receiving increased attention for their ability to better align utility incentives with new social and environmental policy goals." Their 2020 report, PIMs for Progress, includes a case study on Rhode Island, highlighting that the state "has

---

[2] The EERMC's 2022 Annual Report is available at: rieermc.ri.gov/wp-content/uploads/2022/07/eermc-2022-annual-report-final-6-16-22.pdf.
[3] energy.ri.gov/sites/g/files/xkgbur741/files/cleanjobs/2020/RICEIR-2020-Report.pdf.
[4] "Beyond Carrots for Utilities: A National Review of Performance Incentives for Energy Efficiency," published by Seth Nowak Brendon Baatz, Annie Gilleo, Martin Kushler, Maggie Molina, and Dan York, May 2015.

Nicholas S. Ucci
Director of Government Affairs
Rhode Island Energy

280 Melrose Street
Providence, Rhode Island 02907
nsucci@rienergy.com

successfully achieved high levels of energy savings, suggesting that the state's performance incentives have been effective."[5]

Just this past December, in its most recent scorecard of top energy efficiency programs nationally, ACEEE detailed trends associated with states *falling behind* in this sector, noting "States losing ground typically have not fully implemented changes to the utility business model that encourage utilities to take full advantage of energy efficiency as a resource, including through decoupling, *performance incentives*, and energy savings targets"[6] [emphasis added]. Rhode Island has become a national leader because our state has implemented these industry best practices – removing one leg of the stool can only serve to destabilize that progress. Further, the possible removal of transparently-set, thoroughly regulated, performance-based incentive mechanisms runs counter to other provisions of this bill, which would allow third-party (and potentially out-of-state) entities to administer Rhode Island's energy efficiency programs *while earning profit*.

Finally, while Rhode Island Energy supports the achievement of our state's Act on Climate goals, we acknowledge that a net-zero economy cannot be reached solely on the backs of electric and natural gas ratepayers. The legislative proposal in question would scoop $4.5 million in ratepayer funds annually from those customers to subsidize emissions reduction investments elsewhere in the economy, such as in the delivered fuels (e.g., oil, propane) and transportation sectors, via the Executive Climate Change Coordinating Council (EC4).[7] On its own, the potential for such cross-subsidization is concerning and unsustainable. However, this proposal also comes at a time when the state is receiving historic levels of clean energy and climate change funding from federal (e.g., IIJA, IRA) and other sources (e.g., RGGI) – much of which will go toward reducing greenhouse gas emissions throughout the economy and could potentially be deployed by the Administration with active guidance from the EC4.

For example, in the past four years alone, state proceeds from the Regional Greenhouse Gas Initiative (RGGI) have tallied more than $57 million. These proceeds are generated by the sale of emissions allowances to power plants, which then seek to recover their compliance costs through wholesale rates (ultimately paid for by electric customers). In 2022, state RGGI funds reached a historic annual level of $20.5M. To our knowledge, nothing would prevent the Administration from coordinating investment of these funds through EC4. In fact, the Office of Energy Resources (OER) and the Department of Environmental Management (DEM) – two member agencies of the EC4 – already receive a significant portion of these revenues (10%) to support administration of RGGI and "other climate change, energy efficiency, and renewable program efforts." This can be interpreted to cover those administrative-based items specified

---

[5] "PIMs for Progress - Using Performance Incentive Mechanisms to Accelerate Progress on Energy Policy Goals," Rocky Mountain Institute – Care Goldenberg, Dan Cross-Call, Sherri Billimoria & Oliver Tully, 2020, page 54. Available at: https://rmi.org/insight/pims-for-progress/.

[6] ACEEE 2022 State Energy Efficiency Scorecard, December 2022, 35. Available at: https://www.aceee.org/sites/default/files/pdfs/u2206.pdf.

[7] According to the state's latest emissions inventory, the transportation sector alone accounts for nearly 40% of greenhouse gas emissions statewide, while "about 29% of Rhode Island households use distillate fuel oil as their primary source for home heating." For more information, please see DEM's 2019 Rhode Island Greenhouse Gas Emissions Inventory, published in December 2022, at: dem.ri.gov/sites/g/files/xkgbur861/files/2022-12/ridem-ghg-inventory-2019.pdf.

in proposed amendments to §39-2-1.2(o)(i), particularly items (a), (b), (c), (e), (f), and (g). Furthermore, with some modifications to the enabling RGGI statute, proceeds could potentially be used by the EC4 to support programmatic investments that reduce emissions in the delivered fuels, transportation, and other hard-to-reach sectors of our economy. These options, along with maximizing the benefits derived from the suite of generational investments made possible by recent federal legislation, should be thoroughly explored rather than increasing rates for electric and natural gas consumers.

In closing, Rhode Island Energy is grateful for the opportunity to provide these comments and respectfully asks that the Committee reject Article 5, Section 4. In doing so, you will help restore confidence in – and continuity of – nation-leading, cost-effective energy efficiency programs, which have been proven to spur substantial energy consumption and cost savings for ratepayers while supporting Ocean State businesses and workers throughout the green economy.

Respectfully,

Nicholas S. Ucci
Director of Government Affairs
Rhode Island Energy
nsucci@rienergy.com

CC: The Honorable Members of the House Committee on Finance