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Representative Martin Abney
Chair, House Finance Committee
Rhode Island State House
Providence RI 02908

Re: The Nature Conservancy testimony on Article 5 – Relating to Energy and the Environment

Dear Chairman Abney,

The Nature Conservancy is grateful for the opportunity to testify on Article 5 of the proposed FY 2024 budget. We support elements of the proposed Article, but respectfully, also would propose a few amendments that we believe are essential for this budget to achieve its aim of supporting Energy and the Environment.

The Nature Conservancy is a global organization dedicated to conserving the lands and waters on which all life depends. Here in Rhode Island, The Nature Conservancy protects more than 10,000 acres of land and has partnered on the permanent conservation of more than 35,000 acres of land. We do much of our work to protect and restore our natural environment in partnership – including with State agencies such as the Department of Environmental Management and the Rhode Island Infrastructure Bank.

The Nature Conservancy recognizes the urgency of the climate crisis. We support bold action to not only fully mitigate carbon emissions, but to aggressively adapt to our changing environment. In 2021, the State adopted Act on Climate, which commits us to net zero greenhouse gas emissions by 2050 – with significant upfront progress by 2030 and 2040. To effectively implement the science-based goals set forth in Act on Climate and other important environmental legislation, state agencies responsible for this work need to be fully supported and staffed. We also need to have robust and well-funded programs to enable the transition. We appreciate that the Governor's proposed budget recognizes the need to begin ramping up programs to address the climate crisis. However, there are elements of the proposed budget that we support and others where we have concerns:

- TNC **would support** the proposal to release a request for proposals to manage the state's energy efficiency programs. While Rhode Island has been a national leader in energy efficiency programs for the last 15 years, the field of energy efficiency continues to grow and change. Many states have run successful energy efficiency programs with third-party entities. However, we also believe that the way that Least Cost Procurement is currently written, the State already has the ability to go out to bid for these programs without changes to legislation.

- Further, TNC **supports** allowing the RI Infrastructure Bank to expand their use of funds to include clean transportation, clean heating, and energy storage. The Infrastructure Bank is able to support many commercial and municipal projects across the state – and many of these projects could potentially combine multiple forms of clean energy. Allowing them to expand their use of their available funds to match potential options in clean heating, energy storage and transportation could help make the programs more effective.

- TNC is **does not support** a transfer of $4.5 million from the state's energy efficiency programs for Act on Climate planning and implementation. While we know that the agencies that comprise the Executive Climate Change Coordinating Council (EC4) need funding to implement Act on Climate, we believe that this needs to be additional, new funding – not transferring funds from an existing, high-performing program. Energy efficiency is our most cost-effective option to not only mitigate climate change, but also to improve the affordability and comfort of buildings. (For full disclosure, I also serve as the environmental representative to the Energy Efficiency and Resource Management Council (EERMC), which provides oversight on the energy efficiency programs.)

TNC has a few reasons to oppose this transfer of funds from the energy efficiency programs to pay for Act on Climate implementation:

1) Energy Efficiency as Cost-Effective Climate Action: Energy efficiency is our most cost-effective means to address the climate crisis. The way that the Least Cost Procurement legislation is written requires that the utility purchase all available energy efficiency less than the cost of supply. By definition – the program investments are more cost effective that procuring additional energy resources. In the 2022 Annual Report by the Energy Efficiency and Resource Management Council, it is reported that last year's programs cost $130.2 million, but with a total benefit of $595.7 million for ratepayers. Nearly every report that the Office of Energy Resources has commissioned that looks at different pathways to meet our climate goals includes a need for strong new commitments to energy efficiency – it is the necessary foundation to how we will meet our climate goals. Transferring any of these funds to other purposes is a less cost effective way to implement Act on Climate.

   If we think of achieving the goals of Act on Climate in a metaphor for losing weight or getting in shape: energy efficiency is like eating our daily allotment of fruits and vegetables. Not the most exciting investment, but we need to continue investing in it every single day. It would not be effective to cut into our fruits and vegetables budget to pay for a week with a personal trainer. While the personal trainer might also help – we would need to find new, additional resources to pay for it outside of our fruits and vegetables budget.

2) Market Potential of Energy Efficiency: The Energy Efficiency and Resource Management Council (EERMC) is currently updating our Market Potential Study for energy efficiency. The last study was completed three years ago and demonstrated that there is a lot more potential for cost-effective energy efficiency than we are achieving through our current efficiency programs. This Market Potential Refresh Study being conducted now by consultants to the EERMC will potentially help demonstrate the additional efficiency opportunities available for these programs. We could be achieving even more savings and investing even more in these programs – to the benefit of ratepayers.

3) Equity: The energy efficiency programs are paid for by a special charge on Rhode Island Energy electric and fossil gas customers, charged on a per kilowatt hour basis. Rhode Islanders who are not RI Energy Customers and/or who use delivered fuels (oil, propane, etc) to heat their homes do not pay into these funds. Electric and fossil gas customers tend to be in the urban core, whereas oil and propane homes tend to be further into the suburban and rural areas of the state.

   Further, many of the recommendations for how we will meet our Act on Climate goals involve electrifying end uses that are not currently electrified – such as electric vehicles and electric heating/cooling systems. By only charging electric and gas ratepayers for all climate action (and not delivered fuels customers), this is essentially penalizing people who have taken the steps we want to incentivize them to take by only charging them for the solutions. Those who continue to heat their homes using oil or propane and who continue to drive gas powered cars are avoiding this charge. This is an inherently inequitable and regressive way to fund this work.

4) Rigor of Evaluation for Energy Efficiency Programs: The energy efficiency programs are one of the most rigorously evaluated programs in the state. The annual program offerings are created through a nearly year-long process involving oversight by the Energy Efficiency and Resource Management Council. The final plans are evaluated and questioned at hearings held by the Public Utilities Commission, which can ultimately decide whether the programs need to be modified, if the programs are cost-effective, and if the utility has earned its performance based incentive. The EERMC also hires a consulting team who helps review the programs, and also helps perform rigorous cost-benefit analyses of the programs. The consulting team currently under contract performs similar services in Vermont, Maryland, and Massachusetts (among other places), giving them unique knowledge to leverage on behalf of Rhode Islanders. Shifting funds outside of this program would decrease this level of oversight and rigor.

5) Other Sources of Funding Available: The proposed changes would transfer $4.5 million per year through 2030 from energy efficiency to the EC4 and describes the funding to support the development of the 2025 EC4 plan for how to achieve Act on Climate. There are many other sources of funding available that could be leveraged for these short-term needs, including the Regional Greenhouse Gas Initiative annual funds; federal funds; a new fee on dirty delivered fuels (oil, propane, etc); funding available at the Infrastructure Bank, and many others. We would be grateful for the opportunity to work with the Governor's Office and the Committee to determine alternative sources to fund this important work.

6) Not a Simple Tradeoff for Utility Incentives: Lastly, while the proposed budget describes these edits to Least Cost Procurement as simply funding the EC4 through eliminating the performance incentive for the utility, that is not accurate. First, the incentive fluctuates every year and is not set at a flat $4.5 million/year. For example, this past year it was under $4 million. Second, the incentive is subject to evaluation and approval annually by the Public Utilities Commission as a way to ensure that the utility is meeting goals and prioritizing the implementation of the energy efficiency programs. It's simply a small part of the overall program administration budget – in the same way that some people who work in sales are given bonuses or commissions for meeting higher level goals. Instead of being just a flat fee for administering the programs, an incentive is built in to ensure the program administrator (currently the electric and gas utility) is meeting or exceeding goals.

Thank you so much for the opportunity to provide this testimony. I am available any time to answer any questions or be helpful in any way.

Sincerely,

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