

February 8, 2022

The Honorable Ryan W. Pearson
Chair
Senate Finance Committee
82 Smith St.
Providence, RI 02908

Dear Chair Pearson and Members of the Senate Finance Committee:

Acadia Center appreciates the opportunity to provide comments on Article 7 of H7123, Governor McKee's FY 2023 Budget Proposal. Acadia Center is a non-profit research and advocacy organization committed to advancing the clean energy future. Acadia Center's work is characterized by reliable information, comprehensive advocacy and collaborative, innovative problem-solving. Acadia Center is deeply involved in all facets of Rhode Island's energy policy and serves in several technical advisory roles, including on the Energy Efficiency Technical Working Group and the Power Sector Transformation Advisory Group Electric Transportation Subcommittee, working alongside regulators, advocates, and utility program administrators to develop nation-leading energy efficiency plans and guide electric vehicle charging infrastructure deployment.

Identify Alternative Funding Source for the EC4¹

Acadia Center strongly supports efforts to provide resources to fund Executive Climate Change Coordinating Council (EC4) activities and urges the McKee Administration to increase the FY2023 budget proposals for all initiatives aimed at reducing greenhouse gas (GHG) emissions to mitigate the worst impacts of the climate crisis. However, Acadia Center resoundingly opposes the McKee Administration's proposal to utilize electric and gas ratepayer funds collected for energy efficiency programs to accomplish this worthy goal.

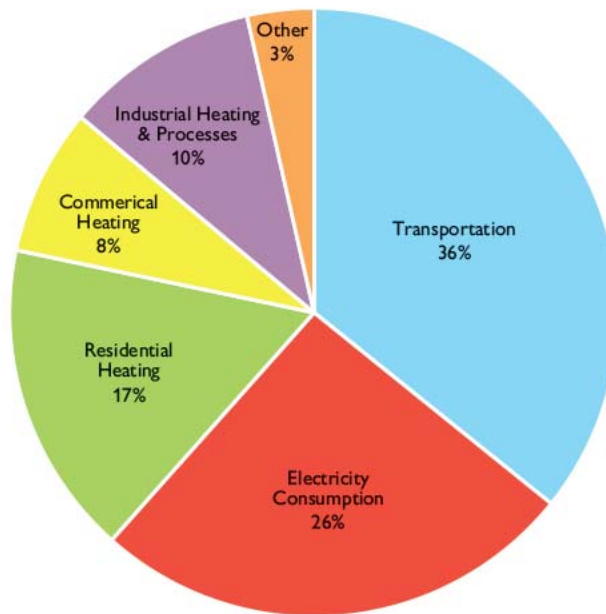
When the Rhode Island enacted the Act on Climate, GHG emission reduction was formally recognized as an overarching statewide priority. The climate crisis will impact all of us and the solutions must similarly involve each of us. Unfortunately, Article 7 of Governor McKee's budget proposal would fund the EC4's activities related to the Act on Climate solely on the backs of electric and gas ratepayers while asking nothing of other fossil fuel users, or the businesses that engage in the sale of carbon-polluting fossil fuels. For example, a Rhode Islander who is both a natural gas and electric customer would see part of their rates usurped to fund a variety of critical and well-intentioned EC4 activities. But the Governor's proposed budget asks nothing of the businesses engaged in the multi-billion dollar fossil fuel market, nothing of oil and propane fuel customers, and nothing of drivers of gasoline-powered vehicles to meet these climate goals. This presents an unjust balance, particularly when recognizing that oil and propane customers are more likely to reside in the state's wealthier, rural and suburban communities while the natural gas system is more concentrated in densely populated areas where low- and moderate-income households are more prevalent.

According to the Department of Environmental Management's 2019 Greenhouse Gas Emissions (GHG) Inventory, Figure 1 below, transportation is the leading source of GHGs in Rhode Island at 36 percent. The collective uses of fossil

¹ Referencing H7123, Article 7, Section 1, Pages 4-5 (or 112-113 of 319), Paragraph (o)i-iv.

fuels in buildings are the second largest source at 35 percent, and electric generation is the third largest source at 26 percent. However, the Governor’s proposal is to fund state climate action while drawing only from the use of one type of fossil fuel used in buildings—natural gas—and all uses of electricity which would also include the electricity used to heat buildings and power electric vehicles and plug-in hybrids.² The funding proposal, as written, is fundamentally unfair and misaligns the source of funding with the sources of the problem.

Figure 1: Rhode Island DEM Greenhouse Gas Inventory, 2019



Acadia Center urges the General Assembly and McKee Administration to enhance the proposed funding for the EC4 and to identify another funding source that better reflects the broad societal moral imperative to address the climate crisis. The budget proposes \$6 million for the EC4, a sum that could easily be allocated from General Funds or other sources that are supported by all Rhode Islanders and businesses, as well as visitors to the Ocean State which is among the places in the world most endangered by climate change. Acadia Center is not endorsing any specific alternative funding mechanism, but posits there are far better and more equitable sources of revenue to support the EC4 than diverting ratepayer funds away from energy efficiency investments.

Energy Efficiency Programs Should Scale Up, Not Scale Down³

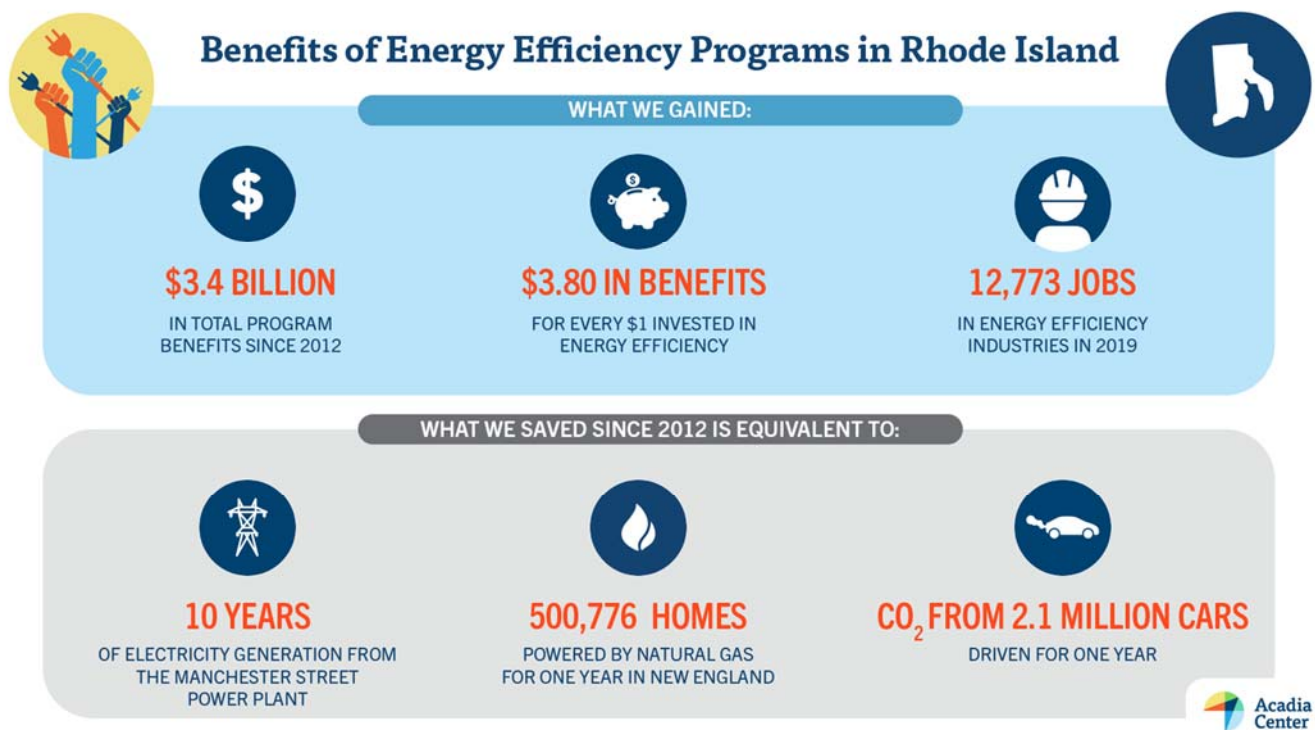
Energy efficiency is the least-cost, proven, foundational, strategy to reduce energy consumption and combat climate change. Energy efficiency programs are, by law and regulation, cost-effective investments that include such long-

² In general, Rhode Island lacks the electric metering infrastructure or rate structures that could disaggregate the electricity used for heating or transportation purposes. To the utility and the ratepayer, a kilowatt-hour of electricity consumed to heat your home is the same as the kilowatt-hour used to watch television or turn on the lights.

³ Referencing H7123, Article 7, Section 1, Pages 4-5 (or 112-113 of 319), Paragraph (o)i-iv.

lived improvements as insulation, weather-sealing, and equipment improvements that reduce or eliminate the need to procure additional electric and gas supply at greater expense. In fact, for every \$1 invested in energy efficiency, Rhode Island sees quantifiable benefits of \$3.8 which include energy savings, economic development, job creation and reduced impacts from cutting carbon emissions. Rhode Island's energy efficiency programs are a success story—the state has consistently ranked in the top 5 nationally for energy efficiency policies and programs according to the American Council for an Energy Efficiency Economy's annual rankings.⁴

Figure 2: Benefits of Energy Efficiency Programs in Rhode Island



Yet, despite these successes, the programs are still undersized relative to the total potential for energy efficiency savings that have been identified in the state by its consultants. Rather than diverting \$6 million in funding from these programs, as Article 7 proposes, the state should be enacting policy measures that unlock even greater energy efficiency savings and promote local economic development while simultaneously reducing carbon emissions and slowing the persistent flow of Rhode Island dollars out of state to procure fossil fuels.

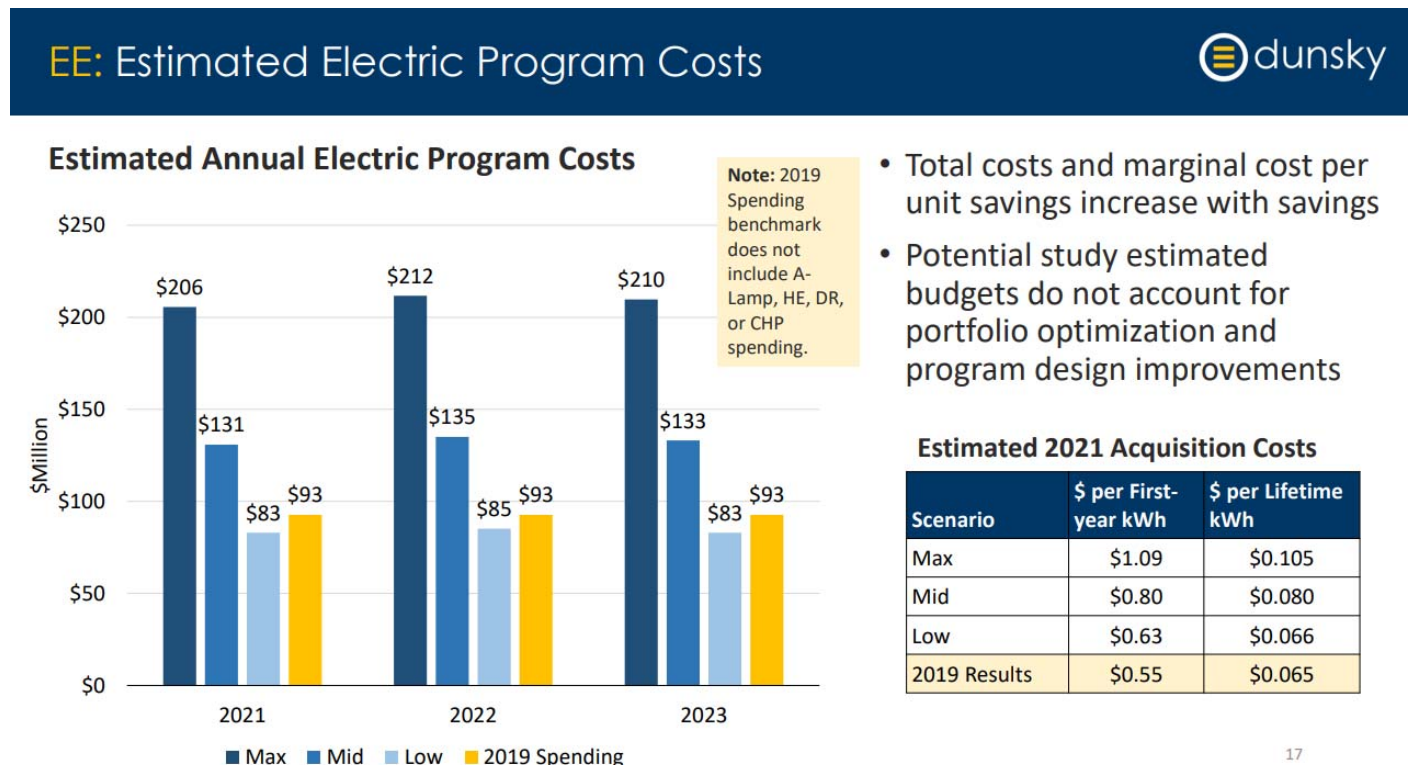
According to the 2020 Rhode Island Energy Efficiency Market Potential Study, performed on behalf of the state, Rhode Island is not yet pursuing all cost-effective energy efficiency opportunities. The study demonstrates, in Figure 2

⁴ ACEEE 2020 State Scorecards (most recent rankings).

https://www.aceee.org/sites/default/files/pdfs/ACEEE_ScrSht20_RhodeIsland.pdf

below, that the electric energy efficiency programs would appropriately be sized at over \$200 million annually to pursue all cost-effective energy efficiency savings, far above the \$122.6 million proposed by National Grid for the FY2022 energy efficiency plan.⁵ Rhode Island could prudently invest an additional \$80-90 million per year in electric energy efficiency program investments. The state should not divert \$6 million of ratepayer funds away from these vital programs, even to fund the worthy climate-focused activities of the EC4.

Figure 3: Electric Energy Efficiency Program Maximum Potential

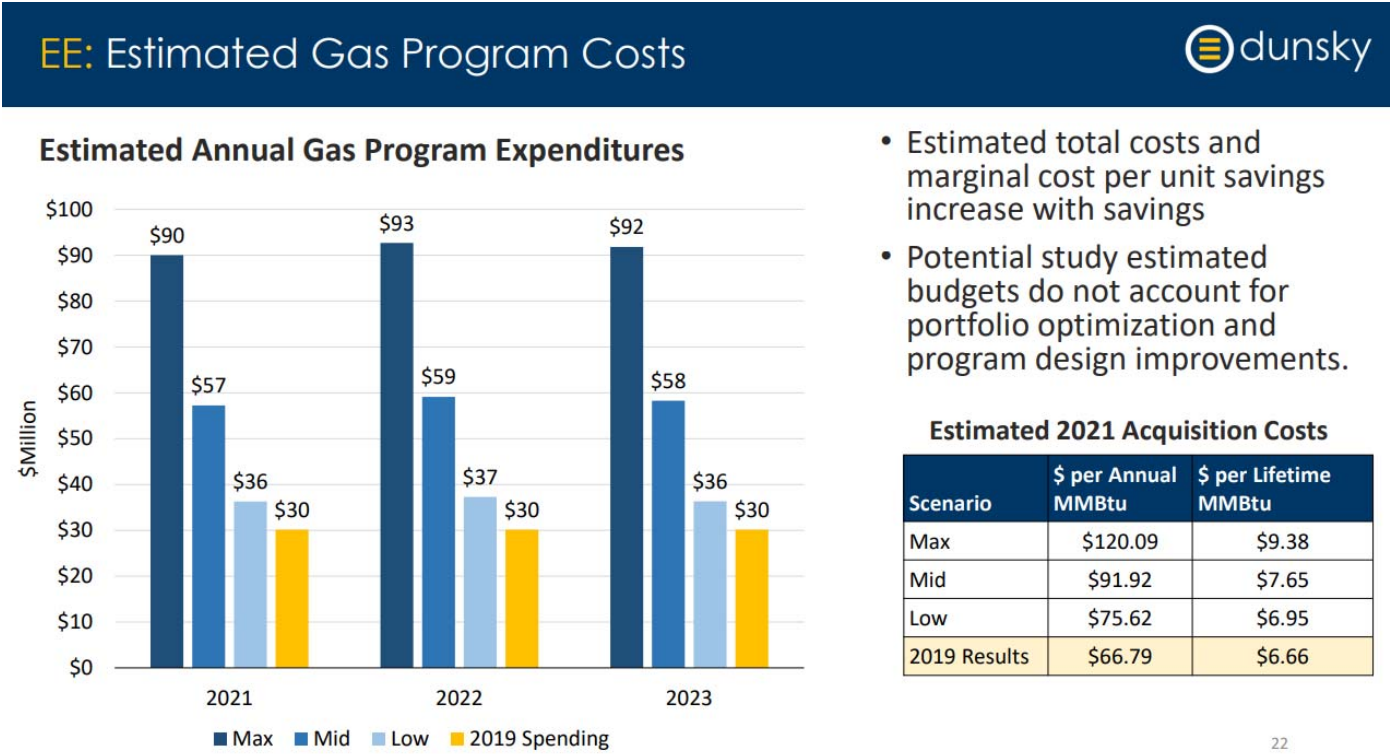


Similarly, the Potential Study finds that the natural gas energy efficiency programs would be appropriately sized at over \$90 million per year to capture all cost-effective energy efficiency measures. For FY2022, National Grid proposed a gas efficiency program of only \$37.6 million, leaving a gap of over \$50 million between the program's current ambitions and its full potential for energy savings. Gas efficiency programs are also critical tools to reduce the amount of harmful and toxic indoor air pollution that results from gas combustion in buildings and has been linked to

⁵ Rhode Island Energy Efficiency Market Potential Study. Performed by Dunskey on behalf of the Rhode Island Energy Efficiency and Resource Management Council. 9 June 2020. <http://rieermc.ri.gov/wp-content/uploads/2020/06/dunskey-ri-ee-market-potential-study-final-results-dr-update-2020-06-09-v2-1.pdf>

increased cases of asthma, cardiovascular disease, and premature death.⁶ Rhode Island should be investing more, not less, in these climate and public health initiatives.

Figure 4: Gas Energy Efficiency Program Maximum Potential



Performance Incentive Mechanisms Are Tool to Steer Efficiency Savings⁷

Acadia Center opposes the budget proposal to eliminate performance-based incentives related to the administration and implementation of statewide energy efficiency programs by utilities. Energy Efficiency programs encompassing a vast and diverse set of savings measures ranging from small, simple installs like faucet aerators to large, custom installations of industrial machinery controls. Performance Incentive Mechanisms (PIM) are one tool that stakeholders and the Public Utilities Commission can use to narrow or steer energy efficiency programs in specific directions or to achieve certain goals. The current application of the PIM drives the utility to identify and pursue greater energy savings in the Commercial & Industrial customer segment. In the future, PIMs could be used to drive greater focus on Next Generation Energy Efficiency to better serve low- and moderate-income customers, or

⁶ “Effects of Residential Gas Appliances on Indoor and Outdoor Air Quality and Public Health in California.” UCLA School of Public Health. <https://coeh.ph.ucla.edu/effects-of-residential-gas-appliances-on-indoor-and-outdoor-air-quality-and-public-health-in-california/>

⁷ Referencing H7123, Article 7, Section 1, Pages 5-6 (or 113 of 319), Paragraph (p)

multifamily units.⁸ PIMs can be and are structured to include Service Quality Adjustments, which operate like penalties, to ensure the energy efficiency programs are maintaining a minimum level of performance within different customer segments or objectives. Acadia Center advocates for the use of different PIM structures and goals to achieve specific outcomes, particularly to drive more savings to underserved and overburdened communities. It is essential Rhode Island retains the ability to use PIMs to drive better energy and climate policy from the utilities.

Meaningful Reforms to Enhance Energy Efficiency Programs

Rather than diverting funds away from the energy efficiency programs, or removing the Performance Incentive Mechanisms, Acadia Center urges the Committee to amend Article 7, Section 1 with the following provisions:

- Amend §39-1-27.7(a): Least-cost procurement shall comprise system reliability and energy efficiency and conservation procurement, as provided for in this section, and supply procurement, as provided for in § 39-1-27.8, as complementary but distinct activities that have as common purpose meeting ~~electrical and natural gas~~ energy needs in Rhode Island, including demand for electricity, natural gas, and delivered fuels, in a manner that is optimally cost-effective, reliable, prudent, and environmentally responsible, and that aligns with the state's greenhouse gas emissions reductions requirements as set in §42-6.2-2.
- Amend §39-1-27.7(b)(2): Least-cost procurement, which shall include procurement of energy efficiency ~~and~~ energy conservation, and strategic electrification measures that are prudent and reliable and when such measures are lower cost than acquisition of additional supply, including supply for periods of high demand and supply of any combustible fuel used for thermal energy in buildings. Costs, for purposes of this section, shall include a reasonable assessment of the costs to society of greenhouse gas emissions.

Third-Party RFP Is Opportunity to Explore Additional Energy Efficiency Models⁹

Acadia Center supports the budget provision in Article 7, Section 1 to issue a request for proposals (RFPs) related to the state's energy efficiency programs. While the current utility-administered model for energy efficiency programs has generally served Rhode Island well, exploring the benefits and risks of other available models may generate reforms or new opportunities to better serve specific customer segments or objectives. The state has an ongoing responsibility to look beyond the status quo to seek out every possible solution to achieve all cost-effective energy savings for residents and to exercise its powers and advance new regulations to address the climate crisis. The Governor's budget proposal appropriately envisions that the solicitation for RFPs does not explicitly require the state to select an alternative program administrator. However, the RFPs will give the state a new understanding of alternative models of program delivery that may be superior to offerings today or will inspire changes to the current programs administered by the utility.

⁸ Next Generation Energy Efficiency brief. Acadia Center. March 2021. <https://362kp4440e5xj84kkwj322g-wpengine.netdna-ssl.com/wp-content/uploads/2021/05/Next-Generation-Energy-Efficiency-Brief1.pdf>

⁹ Referencing H7123, Article 7, Section 1, Page 5 (or 113-114 of 319), Paragraph (q)i-iii.

Electric Vehicle Charging Program Benefits Rhode Island¹⁰

Acadia Center supports the proposed investment of funds to establish the electric vehicle charging infrastructure investment program. As the world's leading automakers have signaled, electric vehicles are going to rapidly replace today's fleets of internal combustion engine vehicles powered by gasoline and diesel. Rhode Island needs to prepare for this shift and this proposed program leverages federal funding to accelerate deployment of publicly-accessible electric vehicle charging infrastructure. Acadia Center and other stakeholders have long worked with National Grid, the Office of Energy Resources, and other state agencies to guide strategic investments in electric vehicle charging infrastructure as part of the state's Power Sector Transformation Advisory Group's Electric Transportation subcommittee. This work has overseen the deployment of hundreds of electric vehicle charging ports throughout the state to ensure these charging stations are distributed appropriately and equitably. One critical focus of this work has been to ensure communities historically underserved by clean transportation and overburdened by pollution are able to participate in the benefits of vehicle electrification.

Acadia Center recommends two amendments to Section 2. First, Chapter 42-162-3(a) and (b) should include formal consultation with the members of the Power Sector Transformation Advisory Group's Electric Transportation subcommittee and representation from environmental justice communities to help devise the state's electric vehicle charging infrastructure investment program and investment criteria. This consultation should precede the public comment period to ensure the expertise and experience of previously implemented charging infrastructure programs are incorporated into the proposed investment program and criteria.

Finally, Section 2 should include a timeline for developing and finalizing the investment program, rules, and criteria. Acadia Center urges the Committee to require a final adoption of the program's rules and criteria by December 31, 2022 which will provide enough time for state agencies to incorporate guidance from the federal government related to use of available federal funds from the federal Infrastructure Investment and Jobs Act signed in November 2021.

Conclusion and Recommendations

Acadia Center fully supports the McKee Administration's desire to fund the EC4's activities and supports increasing the amounts budgeted for climate action to meet the existential threat of our time. The investments dedicated to environmental actions, in this and other sections of the proposed budget, are important first steps to achieve the GHG reductions necessary to respond to the urgency of the climate crisis and comply with the requirements of the 2021 Act on Climate. However, Acadia Center must object in the strongest possible terms to the allocation of ratepayer energy efficiency funds to meet this goal as it would be diverting resources away from a key tool we have today in the fight against climate change. Investments in climate action must be supplemental and derived in an equitable manner. The proposal, as written, risks Rhode Island is funding its climate actions on the backs of many ratepayers that are both least responsible for carbon pollution and also highly burdened by energy costs and health impacts resulting from the burning of fossil fuels.

Acadia Center respectfully requests the Senate Finance Committee amend the language of Article 7, Section 2, paragraphs (o) and (p) to remove the use of ratepayer demand-side management and gas funds and instead utilize

¹⁰ Referencing H7123, Article 7, Section 2, Pages 6-7 (or 114-115 of 319).

another funding source for EC4 activities outlined in paragraph (o) to ensure these important climate activities are funded equitably by all interests within and conducting business in or with the state.

Additionally, Acadia Center urges the Committee to amend Article 7, Section 1 with the following provisions:

- Amend §39-1-27.7(a): Least-cost procurement shall comprise system reliability and energy efficiency and conservation procurement, as provided for in this section, and supply procurement, as provided for in § 39-1-27.8, as complementary but distinct activities that have as common purpose meeting ~~electrical and natural gas~~ energy needs in Rhode Island, including demand for electricity, natural gas, and delivered fuels, in a manner that is optimally cost-effective, reliable, prudent, and environmentally responsible, and that aligns with the state's greenhouse gas emissions reductions requirements as set in §42-6.2-2.
- Amend §39-1-27.7(b)(2): Least-cost procurement, which shall include procurement of energy efficiency ~~and~~ energy conservation, and strategic electrification measures that are prudent and reliable and when such measures are lower cost than acquisition of additional supply, including supply for periods of high demand and supply of any combustible fuel used for thermal energy in buildings. Costs, for purposes of this section, shall include a reasonable assessment of the costs to society of greenhouse gas emissions.

Acadia Center also recommends two amendments to Section 2. First, Chapter 42-162-3(a) and (b) should include formal consultation with the members of the Power Sector Transformation Advisory Group's Electric Transportation subcommittee and representation from environmental justice communities to help devise the state's electric vehicle charging infrastructure investment program and investment criteria. This consultation should precede the public comment period to ensure the expertise and experience of previously implemented charging infrastructure programs are incorporated into the proposed investment program and criteria.

Secondly, this chapter should include a timeline for developing and finalizing the investment program, rules, and criteria. Acadia Center urges the Committee to require a final adoption of the program's rules and criteria by December 31, 2022 which will provide enough time for state agencies to incorporate guidance from the federal government related to use of available federal funds from the federal Infrastructure Investment and Jobs Act.

Acadia Center appreciates the opportunity to provide feedback on the Governor's FY 2023 Budget Proposal. We look forward to working with you to improve H7123 to achieve the full potential of the state's clean energy programs.

Sincerely,



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