

Memorandum

To: L. Massaro

Commission Clerk

From: D. R. Stearns

Rate Analyst, Division of Public Utilities & Carriers

Date: 12/11/2007

Re: Pascoag Utility District 2008 Demand Side Management Program, RIPUC Docket 3888

On October 23, 2007 Pascoag Utility District (“Pascoag”, or “Company”) filed with the Commission a proposed Demand Side management (DSM) budget for calendar year 2008.

On November 21 Pascoag submitted to the Commission an addendum to the 2008 budget.

Pascoag’s proposed 2008 DSM budget as revised totals \$116,000, a decrease of \$36,000 from the Company’s approved 2007 budget of \$152,000. The company cites the following reasons for the decrease:

- funds carried over from 2007’s DSM budget are anticipated to be \$6,000, compared with a carry-over of \$44,000 from 2006 to the 2007 budget; and
- DSM revenue based on the 2008 kWh sales forecast is \$110,000 (an increase of only \$2,000 compared with the 2007 DSM revenue forecast of \$108,000).

Pascoag proposes to continue several 2007 DSM programs in 2008, monitoring all programs throughout the year and requesting authority to modify budget allocations if necessary, in an attempt to ensure adequate funding of successful programs.

Pascoag will continue to work with Energy New England (ENE). ENE provides conservation services, energy audits, and reference materials to Pascoag customers. ENE also provides customers a toll free “energy hotline”, and provides the Company with technical assistance.

In 2007 Pascoag continued to work with Soleil Communications, located in Attleboro, Massachusetts. Soleil designed a brochure to promote rebates that were being offered to residential customers by Pascoag. Before the end of 2007, another brochure will be produced, this time focusing on promotion of energy conservation programs available to commercial and industrial customers. The Company plans to continue working with Soleil during 2008.

The residential brochures were so effective that the funds for many residential programs were depleted by the end of August. In September Pascoag sought, and was granted, Commission approval to re-allocate

funds from less successful programs to these more successful residential programs. Rebates paid by the end of 2007 will again have depleted funding for some of these programs. Pascoag intends to carry forward 2007 rebate requests that have been submitted but cannot be honored during 2007, and to pay associated rebates at the level offered in 2007, using 2008 DSM funds.

The Company will also continue to work closely with Burrillville High School during 2008. Now in its seventh year, this arrangement continues to be mutually beneficial.

Pascoag proposes continuation during 2008 of the ability to request reallocation of funds from poorly performing programs to high-demand, well-performing programs. As in the past, if the amount of any one reallocation does not exceed 10% of the total DSM budget, reallocation would be subject to the review and authorization of the Division. Otherwise, Pascoag will request Commission authorization to re-allocate funds.

As previously mentioned, funding for 2008 DSM programs is expected to be \$36,000 (about 24%) less than funding for the 2007 budget. The budget addendum filed on November 21 is intended to mitigate the effects of this reduction in funding, and to address changes that have occurred since Pascoag filed the original budget on October 23. Specifically, Pascoag proposes to:

1. reduce the amount of rebates offered for energy efficient appliances. This measure, decided upon after discussions with the Division, will allow more customers to participate in programs than would otherwise be accommodated by the 2008 budget, while keeping rebates at a level that will remain an incentive for customers to invest in energy-saving measures;
2. reduce the maximum number of rebates for Energy Star windows from twenty to ten per customer, and reduce the maximum number of rebates for Energy Star doors from two to one per customer;
3. eliminate the line item "Committed Funds"; this line item was to be financed with funds carried over from the 2007 budget to provide increased rebates for the Pascoag Library lighting project. In its place, Pascoag now proposes to create the line item "Identified Future Lighting Projects". At the time of the original filing, the Company was not aware of any potential lighting projects to be carried out during 2008. Since then, Pascoag has been notified of five possible projects;
4. create the line item "Community Christmas LED Lighting" to provide incentive rebates for replacing incandescent lights with energy efficient LED lights to be used in the villages of Pascoag and Harrisville; and
5. transfer \$1,000 from the line item "Funds for Follow-up to Successful Programs", reducing it from \$1,510 to \$510. The \$1,000 would fund the Christmas LED lighting program discussed at item 4, above.

After reviewing the filing and Pascoag's responses to record requests initiated by the Commission, the Division recommends that the 2008 DSM budget proposed by Pascoag, including revisions, be approved as filed.

Cc: Thomas Ahern,

Administrator, Division of Public Utilities and Carriers