

**STATE OF RHODE ISLAND  
PUBLIC UTILITIES COMMISSION**

**IN RE: BLOCK ISLAND UTILITY DISTRICT :**  
**DEMAND SIDE MANAGEMENT PLAN : DOCKET NO. 5013**

**ORDER**

On February 10, 2020, Block Island Utility District (BIUD) filed with the Public Utilities Commission (PUC) its first Demand Side Management Plan (Plan).<sup>1</sup> The Plan budget was set at \$120,000, to be funded through a combination of \$60,000 in revenues from utility rates and a \$60,000 grant offered by the Office of Energy Resources (OER) from the Renewable Greenhouse Gas Initiative (RGGI) fund.<sup>2</sup> The Plan was designed to provide energy assessments, efficient lighting, water- and energy-saving devices, and rebates for weatherization for residents and businesses. It would also provide heating and water heating rebates to all customers, including rebates for various types of electric heat pumps and programmable thermostats. The budget also included funding for program administration and inspections of completed work, along with advertising and outreach.<sup>3</sup>

On April 3, 2020, the Division of Public Utilities and Carriers (Division) submitted a memorandum from Alfred Contente, a utility rate analyst, summarizing the filing. Mr. Contente noted that of the total budget, \$85,550 will go towards assessments and installations that provide direct customer benefits and \$34,450 is budgeted for administration and outreach. Mr. Contente stated that because the budget includes funding from OER, the direct benefits to BIUD customers exceed the amounts generated through rates by almost 1.5 times. Although he explained that the Division did not conduct a detailed review of each of the individual proposed programs, he

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<sup>1</sup> A copy of the Plan is attached as Appendix A.

<sup>2</sup> Plan at 7-8; Jeffrey Wright Test. at 3-4.

<sup>3</sup> Plan at 7.

indicated that the Division believed the overall program will be beneficial to ratepayers and recommended the Commission approve BIUD's 2020 DSM Program as filed.<sup>4</sup>

On April 16, 2020, OER submitted comments from Nicholas Ucci, Acting Commissioner, in support of BIUD's filing. He advised that OER collaborated with BIUD to develop a Plan that would address consumers' energy needs and reduce their energy costs; align with the utility's mission; and integrate lessons learned from the *Block Island Saves* pilot program. He explained that OER allocated \$180,000 in RGGI auction proceeds<sup>5</sup> to be added to utility dollars in the delivery of program offerings. This funding will be disbursed over three years (through 2022).<sup>6</sup>

The PUC issued data requests for clarification on certain aspects of the Plan and conducted an evidentiary hearing on May 6, 2020. The data responses were sponsored by BIUD President Jeffrey Wright and OER Programming Services Officer Nathan Cleveland. These responses included a more detailed budget and additional information on the development of that budget along with many underlying assumptions on participation. While many of the program offerings include no limits on the number of installations, Mr. Wright testified at the hearing that he intended to monitor the budget to ensure no cost overruns. Additionally, with uncertainties facing the utility during the COVID-19 pandemic, he recognized that there could be constraints with administering the program. Mr. Cleveland testified that, given this uncertainty, if the RGGI funds were not used one year, they could be rolled over to the next.<sup>7</sup>

RGGI funds can only be used for direct install measures that deliver energy savings, such as weatherization work, programmable thermostats, and HVAC equipment.<sup>8</sup> . Mr. Cleveland

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<sup>4</sup> Contente Mem. at 4.

<sup>5</sup> Acting Commissioner Ucci referenced the 2015 and 2018-B RGGI Allocation Plans.

<sup>6</sup> Ucci Comments at 1-2.

<sup>7</sup> Hr'g Tr. at 42 (May 6, 2020).

<sup>8</sup> BIUD Response to PUC 1-30.

indicated that expenses associated with travel and a proposed bonus incentive for weatherization also qualify for the RGGI funding because these expenses enable energy savings. He explained that travel is necessary to implement the energy assessments and energy-savings measures. The weatherization bonus, he explained, is intended to further incentivize customers to invest in energy-saving weatherization measures. He indicated that while program marketing indirectly contributes to customers saving energy, it was not eligible for RGGI funding.<sup>9</sup>

BIUD's heat pump and heat pump water heater rebates will increase electricity consumption instead of reducing it when customers switch from heating with oil or propane. Mr. Cleveland contended that heat pumps are more efficient than electric resistance space heaters, and more efficient than window and central air conditioning units. When purchased as a replacement or substitute for electric resistance heat or window and central air conditioners, overall electricity consumption will decrease, or be less than it otherwise would be, and the grid will benefit. Mr. Cleveland continued to explain that new electric heating customers will increase electricity consumption during off-peak periods and improve the utilization of the electric grid; if system costs do not increase and are spread over more kWh, the per kWh rate might decrease. Mr. Wright provided similar testimony at the hearing, elaborating that adding winter load (in the form of electric heat pumps) to a summer peaking power system would do little to reduce power system costs. Mr. Wright hoped, however, that the initiatives in the Plan will reduce the summer peak, and therefore reduce some of the utility's capacity charges.<sup>10</sup>

Later in the hearing, Mr. Wright agreed that focusing on reducing the summer system peak would provide more power system benefits than increasing winter usage. To reduce summer

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<sup>9</sup> *Id.* at 26-27.

<sup>10</sup>

system peak, Mr. Wright testified that the initial goals of the Demand Side Management program are “to target energy efficiency and target the summertime peak causers.”<sup>11</sup> He explained that heat pumps will also help manage the rate of summer electric demand growth because heat pumps are more efficient than other cooling options. Mr. Cleveland explained that the potential impacts he and Mr. Wright testified about have not been quantified and BIUD plans on having a program consultant further explore the impacts of heat pumps.<sup>12</sup> Mr. Cleveland noted the number of heat pumps able to be installed through the efficiency program is small (10 or fewer) and therefore, grid-wide impacts are expected to be negligible.

The design of the efficiency charge was addressed in the Docket No. 4975 rate case Settlement. The rate will be higher in the summer, lower in the shoulder months, and zero in the winter. As explained at the hearing in BIUD’s rate case, the design was proposed to best match the usage patterns on the island. Mr. Wright expanded on that concept during the hearing in this matter, reiterating that the opportunity to achieve the most efficiency and the most savings is by focusing on summertime usage. Mr. Wright agreed that there may come a time when the design should be changed as more benefits can be found from measures affecting wintertime usage.<sup>13</sup>

At an Open Meeting held on May 26, 2020, the PUC approved the Plan as filed, with minor clarifications identified by BIUD on availability of rebates and quantities of equipment that would be provided as part of the Plan.<sup>14</sup> The PUC directed BIUD to directly address the rationale for the continuation of, or changes to, the rate design of the charge in the 2021 Demand Side Management

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<sup>11</sup> *Id.* at 51.

<sup>12</sup> Response to PUC 1-22.

<sup>13</sup> Hr’g. Tr. at 52.

<sup>14</sup> Response to PUC 1-11 (The programmable thermostat rebate “is not intended to exceed the cost of the unit, so it should be written as “\$25 or the cost of the unit, whichever is less” and rebate forms and other program documentation will make this structure clear to customers”); Response to PUC 1-15 (“The District does not intend for customers to be able to receive an unlimited number of rebates for programmable thermostats. The District’s intent is to set a clear limit on the rebate forms and other program documentation making clear to customers the maximum number of thermostat rebates a customer can receive is two (2)”).

filing. This initial Plan appears to have a solid foundation. The PUC also expects BIUD to provide, in future filings, additional quantitative analysis of the benefits of the measures included in the Plan, particularly the costs and benefits to the electric power system on the island.

BIUD will be seeking the assistance of a vendor to perform energy assessments and other work under the Plan. As of the date of the hearing, the Request for Proposals (RFP) had not been issued. BIUD agreed to provide the PUC with a copy of the executed contract when available.<sup>15</sup> The PUC also directed BIUD to provide a link to the RFP once issued, as agreed to by BIUD at the hearing.<sup>16</sup> Other reporting requirements were addressed as part of BIUD's general rate filing in Docket No. 4975.<sup>17</sup>

Accordingly, it is hereby,

(23863) ORDERED:

1. Block Island Utility District's 2020 Demand Side Management Plan is hereby approved.
2. Block Island Utility District shall provide to the Public Utilities Commission and parties to this docket a link to the Request for Proposals for a vendor when issued.
3. Block Island Utility District shall file with the Public Utilities Commission, with a copy to the parties to this docket, a copy of the executed vendor contract.
4. Block Island Utility District shall comply with all other orders and requirements of this Order, including the reporting requirements approved in the Order issued in Docket No. 4975.

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<sup>15</sup> Hr'g. Tr. at 38, 41.

<sup>16</sup> PUC Open Meeting Minutes (May 26, 2020).

<sup>17</sup> A link to the approved Settlement in Docket No. 4975 can be accessed here:  
<http://www.ripuc.ri.gov/eventsactions/docket/4975-BIUD-Settlement%204-10-20.pdf>.

EFFECTIVE AT WARWICK, RHODE ISLAND ON JUNE 1, 2020, PURSUANT TO AN OPEN MEETING DECISION ON MAY 26, 2020. WRITTEN ORDER ISSUED JULY 8, 2020.

PUBLIC UTILITIES COMMISSION



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Margaret E. Curran, Chairperson



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Marion S. Gold, Commissioner



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Abigail Anthony, Commissioner

**NOTICE OF RIGHT OF APPEAL:** Pursuant to R.I. Gen. Laws §39-5-1, any person aggrieved by a decision or order of the PUC may, within seven (7) days from the date of the order, petition the Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.