

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: PASCOAG UTILITY DISTRICT :
DEMAND SIDE MANAGEMENT PROGRAMS : DOCKET NO. 3474
FOR 2003 :

REPORT AND ORDER

I. Introduction

On October 3, 2002, the Pascoag Utility District (“Pascoag”) filed its Demand Side Management (“DSM”) Programs for 2003 with the Public Utilities Commission (“Commission”), in compliance with the Utility Restructuring Act (“URA”), as amended in 2002.¹ Pascoag proposed an overall budget of \$165,000, all of which would be generated through the surplus remaining from Pascoag’s 2002 programs and the legislatively mandated charge of \$0.002 per kWh to be paid by all customers of the utility.² Although the law provides the funding for the programs, the Commission continues to have the responsibility for reviewing the design and implementation of Pascoag’s DSM programs.

II. Pascoag’s Filing

Pascoag indicated that its overall goals for 2003 are customer education and outreach. According to Mr. Theodore Garille, General Manager of Pascoag, “Pascoag’s 2003 DSM programs encourage conservation, stress education, and strive to develop a working relationship with [Pascoag’s] ...customers.”³ He pointed out that Pascoag hopes to encourage more customer participation than it has experienced in the past. Regarding

¹ R.I.G.L. § 39-2-1.2.

² R.I.G.L. § 39-2-1.2(b) provides this level of funding for DSM programs for a ten-year period beginning January 1, 2003.

³ Pascoag Exhibit 1, Schedule A (Executive Summary), p.1.

commercial and industrial customers, the programs focus on offering attractive incentives for energy efficiency improvements or new construction.⁴

A. Residential Programs

Pascoag proposes continuation of the following 2002 programs, some with modifications: Residential Conservation Service, Electric Heat Conversion, Community Projects, Home Energy Audits, Customer Newsletters, Energy Homes/Energy Star Appliances, Low Income Weatherization, Weatherization Audits and Monitoring/Tracking Energy Savings. Pascoag proposes the following new programs for 2003: Refrigeration Buy-Back, Energy Efficient Heating System/Burner Replacement and Catalog Incentives.⁵

Pascoag's Residential Conservation Service is comprised of several programs conducted through Pascoag's partnership with Energy New England ("ENE"). This partnership began in 2002 when Pascoag sought to enter into a partnership and become a member of an Advisory Group with other municipalities in order to better develop and manage DSM programs. Together with ENE, Pascoag provides a toll-free energy hot line, energy referrals, conservation materials, assistance on rebates, and community and school outreach. The budget for this partnership is \$4,200 annually, the same as in 2002.

In 2002, Pascoag began providing incentives to customers to convert from electric heat to oil. The program has generated considerable interest and Pascoag proposes continuing the 20% rebate, not to exceed \$2,000 (an increase of \$1,000 over 2002). The increase in dollar amount from 2002 represents the fact that the actual cost for conversion is twice as much as Pascoag had anticipated for a single family home when first

⁴ Id.

⁵ Pascoag Exhibit 1, Schedule B, pp. 1-8.

proposing the program in 2002. In addition to the incentive, Pascoag proposes continuing to offer an 18-month interest free loan for up to \$4,000 per conversion. Pascoag's total budget for this program is \$12,000.⁶ Additionally, Pascoag proposes offering an incentive to the owner of a multi-family dwelling that has electric heat. The initial conversion estimate is \$20,000. Therefore, Pascoag seeks approval of an incentive of 25%, for a maximum rebate of \$5,000. Additionally Pascoag seeks approval of \$4,500 to be allocated to ENE for assistance with this particular project. The total line item for the multi-family conversion is \$10,000.⁷

Pascoag has taken an active role in outreach to the community. It proposes a line item of \$3,300 for continued outreach to include Career Day at Burrillville Hight School, Public Power Week with the Elementary School, the annual Family Fair and the Burrillville Arts Festival.⁸

Despite a low interest in Home Energy Audits Program, Pascoag proposes a continuation of it, albeit with a reduced budget of \$3,000, in the hopes of increased participation up to 20 audits for the year. As part of its continued outreach effort, Pascoag requests approval of \$10,000 for three customer newsletters, the increase in budget representing the increase in frequency of newsletters.⁹

In 2002, Pascoag had its first EnergyStar home completed and several customers participated in the EnergyStar appliance program, receiving rebates totaling \$300.

⁶ Pascoag Exhibit 2, Revised Executive Summary, p. 22-23.

⁷ Id. at 23.

⁸ Id. at 4-5. This line item also covers tracking of energy savings relative to weatherization programs.

⁹ Pascoag Exhibit 2, p.23.

Pascoag proposes a line item of \$3,000 to fund two EnergyStar homes and up to 20 appliance rebates of \$50 per appliance.¹⁰

Pascoag proposes continuing its low income programs, but combining them into one line item with one program title, “Low Income/Fixed Income Weatherization Program.” The \$15,000 line item includes energy audits and weatherization improvements.¹¹

Addressing the three new programs, Pascoag indicated that as part of its 2002 “Study for a Conservation Rate,” Hudson River Energy Group generated a report that indicated that the largest energy savings would result from the removal of second refrigerators and the implementation of an air conditioner maintenance program. Hudson River Energy Group’s study indicated that many residents have a refrigerator that is old and inefficient for use only in the summer months, but which is plugged in all year long.

In response to the report, Pascoag has chosen to propose a refrigerator buy-back program to issue a \$50 bill credit to customers in this situation. Once a customer expresses interest to Pascoag, a line meter will be installed on the refrigerator and a twelve-month billing history will be reviewed to determine that the refrigerator is actually in use. Pascoag will then arrange for the removal and disposal of the refrigerator at the Town of Burrillville facilities, at no cost to Psacoag. The customer will then receive a \$50 credit in the form of “Energy Saver Bucks” which the customer can use toward his or her electric bill. The proposed line item of \$2,000 will allow for participation of up to 30 customers.¹²

¹⁰ Pascoag Exhibit 1, Schedule B, p. 6.

¹¹ Pascoag Exhibit 2, pp. 23-24.

¹² Pascoag Exhibit 1, Schedule B, pp. 3-4. The Town of Burrillville will allow the free disposal of up to 30 refrigerators in 2003. Pascoag’s Data Response to Commission Data Request 1-1.

The second new program is the Energy Efficient Heating System/Burner Program. This program is being introduced due to customer interest and a recommendation from the Rhode Island State Energy Office. Pascoag is proposing a 10% rebate, not to exceed \$250, to customers replacing old heating systems with energy efficient equipment. Pascoag's proposed line item of \$2,500 will allow for participation by ten customers.¹³

Finally, Pascoag is proposing a line item of \$2,000 for a pilot program through ENE. Through this program, customers can purchase energy efficient devices through Pascoag's website. The customer will pay 80% of the cost of the device and Pascoag will pay the remaining 20%.¹⁴

B. Commercial and Industrial Programs

Unfortunately, Pascoag's largest industrial customer, Danielle Prosciutto, Inc., has indicated that it will not be pursuing any new energy saving measures through Pascoag in 2003. Therefore, Pascoag has focused more resources than usual on residential programs. However, Pascoag is proposing three line items in the \$73,000 allocated to commercial and industrial ("C&I") programs: \$25,000 for Lighting/T8 installation at Bayberry Nursing Home, \$16,000 for energy efficiency programs at a local coffee shop and at a new golf course, and \$32,000 for energy efficiency programs at the Town Hall and the Overlook Nursing Home. Additionally, Pascoag proposes an outreach program with local businesses and contractors to assist in developing new programs and also to educate local businesses and contractors about energy saving programs and products.

¹³ Pascoag Exhibit 1, Schedule B, p. 5.

¹⁴ Id. at 7.

Late in 2002, RISE completed an energy audit of Bayberry Commons and identified several lighting projects that qualify for rebates and a no-interest loan from Pascoag. Pascoag has two pending projects, to reflect interest in energy savings from an owner constructing a new coffee shop and from the new golf course owner. Additionally, Pascoag is proposing a Working Projects line item that includes an audit of the Burrillville Town Hall with the hopes of instituting energy saving measures. Pascoag has indicated that the benefits of the project will be multi-faceted because ratepayers will benefit as the operating costs at the Town facility are lowered and the site will be visible and should promote further interest in energy savings.¹⁵

C. Miscellaneous

Pascoag has requested approval of a \$7,000 line item that it can apply to programs that prove to be more successful than expected and it has requested \$7,000 in administrative costs, based on 2002 expenditures. Finally, Pascoag requested the ability to transfer up to 10% of its total budget from less successful programs to more successful programs with Division approval. Anything over 10% would require Commission approval.

III. Division's Position

On December 4, 2002, Mr. David Stearns, a fiscal analyst for the Division of Public Utilities and Carriers (“Division”), filed a Memorandum with the Commission expressing support for Pascoag’s DSM filing.¹⁶

¹⁵ Pascoag Exhibit 2, p. 24.

¹⁶ Division Exhibit 1.

IV. Hearing

Following notice, a public hearing was conducted at the Commission's offices, 89 Jefferson Boulevard, Warwick, Rhode Island, on December 5, 2002. The following appearances were entered:

FOR PASCOAG: William L. Bernstein, Esq.

FOR DIVISION: William K. Lueker, Esq.
Special Assistant Attorney General

FOR COMMISSION: Cynthia G. Wilson, Esq.
Senior Legal Counsel

Pascoag presented Judith Allaire, Accounts and Customer Service Manager for Pascoag, and Theodore Garille, General Manager of Pascoag in support of the filing. Ms. Allaire provided the Commission with a detailed explanation of the proposed 2003 programs, explaining the new aspects of continuing programs, specifics about the new programs and how each developed from Pascoag's experience with its 2002 programs.¹⁷

Addressing the new programs, Ms. Allaire explained that in order to promote the Burner Replacement/Energy Efficient Heating System Replacement Program, Pascoag will be holding a workshop for the local oil dealers to explain the program so that the dealers could offer it to customers.¹⁸ Ms. Allaire testified that preliminary discussions with local dealers has indicated that there is significant interest in this program and that there have not been significant problems associated with the burner replacements and upgrades to EnergyStar equipment in oil heating homes.¹⁹ Also, as another measure to gauge customer interest in a burner replacement program, Pascoag began developing a customer participation list in the fall 2002. Unfortunately, one customer was unable to

¹⁷ Tr. 12/5/02, pp. 6-46.

¹⁸ Id. at 22-23.

await Commission approval of the program before requiring installation of a new burner, which met EnergyStar requirements. Therefore, Ms. Allaire testified that Pascoag is seeking Commission approval of a rebate for that customer on the basis of her unique situation.²⁰

With regard to the reorganization of the several low income/fixed income programs into one, Ms. Allaire stated that the new acronym for the programs is WARM, standing for “Weatherization and other Related Measures.” She explained that in implementing this program, Pascoag initially starts with the Tri-Town and Commission guidelines. However, if a customer is slightly over the guidelines, they are not turned away because what Pascoag “would like to catch is really people who … don’t qualify for some of the benefits that are out there but yet are really in need of financial assistance.”²¹

Regarding the catalog incentives, Pascoag acknowledged that some of the items available to customers are water conservation tools. Ms. Allaire assured the Commission that the incentive for those items would be taken from Pascoag’s water conservation fund and not from DSM funds.²²

Providing clarification on the “working projects,” Ms. Allaire testified that Pascoag has been working with the Town Council President to target four Town facilities for energy saving measures. She explained that the process will include a full audit with

¹⁹ Id. at 53-55.

²⁰ Id. at 25-26.

²¹ Id. at 27-28.

²² Id. at 30-32.

recommendations for projects. However, because of budgetary concerns, the Town may need to implement the recommendations over a two-year period.²³

Regarding the Refrigerator Buy-Back Program, Ms. Allaire testified that the additional time required to install a line meter at a customer's home in conjunction with the meter read and to remove it would be approximately one half hour, for a total cost of approximately \$9.00 per customer. If the maximum number of customers take part in the program, this cost will be \$270. Addressing Commission concerns regarding the logistics and liability of this program, Mr. Garille testified that once a customer is identified and is qualified for the program, it will be the ratepayer's responsibility to make the refrigerator ready for transport, including moving it to the pick-up spot and removing the door. Mr. Garille indicated that Pascoag would assist the customer short of entering the home and actually removing the refrigerator.²⁴ In exchange, the customer will receive \$50 worth of Energy Saver Bucks to apply to the monthly electric bill of their choice within a one-year period.²⁵

With regard to administrative costs, Ms. Allaire testified that Pascoag has set the 2003 budget at the same level as the 2002 budget. The administrative costs include developing and monitoring programs and attending meetings to better serve ratepayers through DSM programs. Pascoag has not tracked the use of certain materials in its DSM budget because they are materials that Pascoag views as a part of doing business.

²³ *Id.* at 33-35.

²⁴ *Id.* at 63-65.

²⁵ *Id.* at 52-53. Additionally, Pascoag will have the record of the Energy Saver Bucks on file if a customer loses his or hers.

However, Pascoag agreed to look at the use of materials a bit closer in 2003 in order to keep the various costs of service accurate.²⁶

V. Commission Findings

The Commission commends Pascoag on its continued hard work in adapting its programs to the changing needs of its ratepayers and for adopting new programs in response to input from ratepayers and outside resources. The 2003 filing contains several creative projects and tweaks to continuing programs that will hopefully prove to spark new and continued ratepayer interest. Pascoag has continued to keep the Commission's concerns regarding sufficient education and outreach in mind when developing and revising its programs.

The Commission approves Pascoag's filing of its 2003 Demand Side Management programs and associated budget, finding them to be in the best interests of Pascoag's ratepayers.

The Commission is particularly pleased that the residential electric to oil heating conversion program has been successful. With the high cost of home heating, it is important that the utility develop a program that is designed to respond to both the customer's interests and to the system demand for electricity at the same time. The Commission approves Pascoag's request to provide the 2003 rebate of \$2,000 to each of the two customers who participated in 2002 because of the higher than anticipated cost of conversion. These customers' final bills will not be submitted to Pascoag until 2003 and as such, it seems reasonable that these pioneers in Pascoag's program be allowed the full benefit available.

²⁶ Id. at 43-44, 49-51.

Additionally, with regard to the customer who required a burner replacement in 2002 prior to the approval of Pascoag's 2003 programs, the Commission finds it reasonable to allow Pascoag to provide this customer with the rebate available in 2003. Unlike the replacement of less energy saving lightbulbs with EnergyStar bulbs, for example, a ratepayer cannot be expected to await Commission approval of a program before replacing a malfunctioning burner. Therefore, Pascoag's request to allow this customer a rebate on her burner is approved.

Accordingly, it is hereby

(17346) **ORDERED**

1. Pascoag Utility District's 2003 Demand Side Management Programs and associated budget filed on October 3, 2002, as amended on November 7, 2002, are hereby approved.
2. A Conservation and Load Management Adjustment Factor of \$0.0023 per kilowatt-hour is hereby approved in accordance with R.I.G.L. § 39-2-1.2, with \$0.002 to be applied to the Demand Side Management Programs approved herein and \$0.0003 to be administered by the Rhode Island State Energy Office for renewable energy programs.²⁷
3. Pascoag shall file with the Division of Public Utilities and Carriers any request to reallocate funds among programs up to 10% of the total budget, with a reference copy to the Commission. Requests to reallocate funds in excess of 10% of the total budget shall require Commission approval.
4. Pascoag shall make its 2004 DSM Filing no later than October 15, 2003.

5. Pascoag shall comply with all other findings and instructions as contained in this Report and Order.

EFFECTIVE AT WARWICK, RHODE ISLAND PURSUANT TO A BENCH DECISION ON DECEMBER 5, 2003. WRITTEN DECISION ISSUED JANUARY 23, 2003.

PUBLIC UTILITIES COMMISSION

Elia Germani, Chairman

Kate F. Racine, Commissioner

Brenda K. Gaynor, Commissioner

²⁷ Responsibility for administering renewable energy programs was transferred to the Rhode Island State Energy Office effective January 1, 2003, pursuant to amendments to the URA enacted in June 2002. See R.I.G.L. § 39-2-1.2(b).