

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
**PUBLIC UTILITIES COMMISSION**

IN RE: PASCOAG UTILITY DISTRICT :  
DEMAND SIDE MANAGEMENT PROGRAM : DOCKET NO. 2510

REPORT AND ORDER

I. Introduction

On March 4, 2002, the Pascoag Utility District (“Pascoag”) filed its Demand Side Management (“DSM”) and renewable energy programs for 2002 with the Public Utilities Commission (“Commission”), in compliance with the Utility Restructuring Act of 1996 (“URA”), R.I.G.L. § 39-2-1.2. Pascoag proposed an overall budget of \$177,500, all of which would be generated through the surplus remaining from Pascoag’s 2001 DSM programs and the legislatively mandated charge of \$0.0023 per kWh to be paid by all customers of the utility.<sup>1</sup> Although the URA provides the funding for the programs, the Commission continues to play an important role in reviewing the design and implementation of Pascoag’s DSM and renewable energy programs.

II. Pascoag’s Filing

A. Residential DSM Programs

Pascoag indicated that during the hearing on Pascoag’s 2001 DSM/Renewables Programs, it understood the Commission to be looking for Pascoag to take a new direction in its approach to the DSM Program. Therefore, while some prior programs were included in the filing, Pascoag indicated that it has also introduced new ideas and has stressed customer education.<sup>2</sup>

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<sup>1</sup> The URA provides this level of funding for demand side management programs and renewable energy resources for a ten-year period beginning on January 1, 1997. R.I.G.L. § 39-2-1.2

<sup>2</sup> Pascoag Ex. 1, Pascoag’s Proposed Demand Side Management Program for 2002, Exhibit I-3.

In its filing, Pascoag proposes nine residential programs, several of which are new and some which have been approved in the past: (1) the Residential Conservation Service; (2) an Incentive for Electric Heat Conversion Program; (3) a Study for a Conservation Rate or Conservation Credit; (4) Community Projects; (5) Home Energy Audits; (6) Energy Conservation Night Lights; (7) Customer Newsletters; (8) Hot Water Wraps/Covers; (9) Continued Participation in the Energy Homes Program.

As part of its expansion of residential programs, Pascoag has entered into an agreement with Energy New England (“ENE”) to create a comprehensive program of customer education. The program, the Residential Conservation Service, is a multi-faceted program that encompasses many services to educate and assist customers in conservation practices. The program will be promoted with billing inserts. It will include a toll free energy hotline open five days per week, eight hours per day to be staffed by certified energy experts.<sup>3</sup> ENE will provide technical assistance to enhance Pascoag’s website. In addition, ENE will provide a community outreach program that includes one annual workshop/seminar and will assist Pascoag in designing a comprehensive program of energy conservation for use in the Burrillville School System. Finally, Pascoag will become a member of ENE’s Advisory Group which is made up of several municipal electric systems that work together to exchange ideas on energy conservation programs.<sup>4</sup>

Pascoag has also proposed a new program budgeted at \$5,000, designed to provide financial assistance to electric heating customers to convert to an alternate energy

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<sup>3</sup> ENE will provide Pascoag with feedback regarding usage of the toll free phone number in order to assist Pascoag in targeting issues and creating future DSM programs. Id. at Exhibit II-1.

source. Pascoag estimates the typical conversion to cost \$5,000. A customer will pay 80% of the cost and Pascoag will pick up the remaining 20%, not to exceed \$1,000. In addition, while the program would offer part of the cost to be offset through grants to customers, it would also include a no-interest loan option for customers to finance the balance over 18 months.<sup>5</sup> Therefore, Pascoag anticipates serving up to five customers through the program in 2002. However, if the program proves to be popular, Pascoag has requested permission to transfer funds from the C&I interest-free program to this one.<sup>6</sup>

Pascoag has also requested approval to budget \$3,000 to fund a study to determine the feasibility of establishing a Conservation Rate or a Conservation Credit for residential customers. Pascoag has consulted with the Hudson River Energy Group and calculates the software modifications to cost approximately \$1,000 and further consulting expenses to cost approximately \$1,200. The remaining \$800 will provide a cushion against unforeseen expenses. To determine eligibility for the Conservation Credit, Pascoag will review customers' historical usage on a quarterly basis and if the usage on a going forward basis for the same period was lower, the customer will be entitled to a quarterly incentive tied into times such as "back to school shopping," Christmas/Hanukkah, spring "fix-up" time and summer vacation.<sup>7</sup>

Pascoag indicates that it takes an active role in its community, including hosting a booth at the Burrillville Family Fair. Pascoag uses the opportunity to hand out educational materials covering conservation and renewables to members of the

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<sup>4</sup> Pascoag indicated that it attended some Collaborative meetings designed to administer Narragansett's DSM/Renewables Programs, but given Pascoag's size and characteristics as a municipality, the ENE Advisory Group will be more beneficial to Pascoag and its ratepayers.

<sup>5</sup> Pascoag Ex. 4, Proposed Electric Heat Conversion Forms.

<sup>6</sup> Pascoag Ex. 1, Exhibit II-2; Pascoag Ex. 2, Response to Commission Data Request 3.

<sup>7</sup> Pascoag Ex. 1, Exhibit II-3; Pascoag Ex. 2, Response to Commission Data Request 4.

community. In addition, Pascoag participates with the Burrillville School Department in its annual Career Day, an event geared to high school juniors and seniors, introducing them to renewables technology and other energy issues.<sup>8</sup>

For 2002, in response to feedback from community members who had taken advantage of the previous home energy audit program, Pascoag has introduced a more comprehensive home energy audit program, to be conducted by ENE. While each ENE audit will cost \$15 more than that conducted by RISE, ENE's audits will more broadly focus on electric consumption (including a comprehensive appliance survey and lighting issues), rather than RISE's more narrow focus on heating conservation. At the conclusion of an ENE energy audit, the customer will be given a choice of an energy saving tool with a \$10 value. In addition, participants will be asked to fill out an evaluation form that will be sent directly to Pascoag, relieving Pascoag from the necessity of conducting an independent evaluation at the end of each year.<sup>9</sup>

Pascoag has historically distributed energy saving compact fluorescent lightbulbs to customers free of charge. However, because there is no way to determine whether customers are using the product and therefore, no way to judge the product's effectiveness in the Pascoag service territory, Pascoag has recommended ceasing the program. However, in its place, Pascoag proposes to reinstitute the offer of free energy saving nightlights that use only 5 cents of energy per year, even if plugged in all of the time. Pascoag has indicated that in the past, the nightlights were very popular and have

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<sup>8</sup> Pascoag Ex. 1, Exhibit II-3.

<sup>9</sup> Id. at Exhibit II-4.

been requested by customers. Pascoag pointed out that customers appreciate getting something for their contribution to the DSM/Renewables fund.<sup>10</sup>

Pascoag proposed a continuation of its semi-annual newsletters to customers. However, Pascoag will use funding from a grant it received through Rebuild America. The newsletters contain information on conservation, safety, and a letter from the General Manager.<sup>11</sup>

Pascoag also proposes to continue its hot water heater wraps/covers program and to continue participation in the Energy Homes Program. Pascoag also proposes to again promote an energy conservation contest, attaching a rebate on an Energy Star Appliance to spark interest. However, because there was no interest in the contest in 2001, Pascoag has not requested any additional funding for the contest and would only introduce the program if one of the other programs does not provide the maximum benefit or attain maximum participation.<sup>12</sup>

B. Commercial/Industrial DSM Programs

Pascoag expressed concern that with approximately 25 industrial customers and 300 commercial customers, together with the length of time in which the DSM programs have been running, the ability to find more opportunities for energy conservation among these customer classes has become more limited. However, with that caveat, Pascoag has proposed five programs for these customer classes: (1) Continuation of the Zambarano

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<sup>10</sup> Id. at Exhibit II-4.

<sup>11</sup> Id. at Exhibit II-5.

<sup>12</sup> Id. at Exhibit II-5.

Hospital Lighting Project;<sup>13</sup> (2) Education; (3) DSM Program Studies; (4) HVAC Program;<sup>14</sup> (5) Programs for Specific Commercial Customers.

Pascoag explained that in an attempt to better manage its load, Pascoag proposes to conduct Load Management Seminars for its larger industrial customers, particularly Danielle Proscuitto, Inc. (“DPI”), which is expanding its meat processing plant. Pascoag hopes to be able to work with DPI and its contractor to ensure the most energy efficient products are chosen. In addition, Pascoag proposes to conduct load management studies to determine the feasibility of developing new tariffs, such as one for interruptible load. In order to undertake such a study and subsequently implement a plan, Pascoag would require new software that would be covered by this line item. The total budget amount requested for approval of both programs is \$10,000.<sup>15</sup>

Pascoag also proposes to work with its larger customers, especially those who desire dependability of service, to implement demand response programs and on-site generation programs. For 2002, Pascoag is proposing to investigate the feasibility of the proposal, including determining customer interest. The requested budget for this program is \$5,000.<sup>16</sup>

Pascoag has also requested funding for specific pending commercial projects, in various stages of completion. Examples are incentives for installation of energy efficient appliances/lighting in new construction, retrofit lighting incentives for a new business,

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<sup>13</sup> In its Response to Commission Data Request 5, Pascoag filed an accounting of the distributions made to Zambarano Hospital and indicated that payments are on schedule. See Pascoag Ex. 2, Response to Data Request 5.

<sup>14</sup> Although at the time of filing, there were no programs identified under the HVAC heading, Pascoag requested continued funding for an HVAC budget of \$10,000. Pascoag Ex. 2, Exhibit II-7.

<sup>15</sup> Pascoag Ex. 1, Exhibit II-6; Pascoag Ex. 2, Response to Commission Data Request 7.

<sup>16</sup> Pascoag Ex. 1, Exhibit II-6; Pascoag Ex. 2, Response to Commission Data Request 8.

rebates for energy efficient air conditioning and lighting retrofit at Burrillville High School, and further projects at Zambarano Hospital.<sup>17</sup>

C. Renewables Programs

Pascoag has requested approval of a budget of \$4,450 for its Renewables Programs. The money would be dedicated to the Burrillville School Department. The Burrillville School Department received a grant from the Rhode Island Renewable Collaborative for a Photovoltaic (“PV”) System. The School is required to contribute \$1,000 to what is expected to be a \$20,000 project. Pascoag has requested \$1,000 to make the contribution. The remaining \$3,450 would be used to develop a program and purchase teaching materials and devices to study the effects of the PV system in the classroom. Pascoag indicated that it was working with Mr. Charles Boucher, the Applied Science and Technology Department Chair of Burrillville High School, to advance the programs.<sup>18</sup>

D. Administrative Expenses

Pascoag proposes to reduce its Administrative Budget for 2002 based on historical expenditures and on the fact that ENE will be providing more customer support, thus reducing some reliance on Pascoag’s employees.<sup>19</sup>

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<sup>17</sup> Pascoag Ex. 2, Response to Commission Data Request 6.

<sup>18</sup> Pascoag Ex. 1, Exhibit II-8; Pascoag Ex. 2, Response to Commission Data Request 9. On April 3, 2002, Pascoag filed a request with the Commission to approve an expenditure under the 2002 Renewables Budget to reimburse Mr. Boucher for the PV Plotter and Accessory Kit that would be utilized in conjunction with teaching students about the PV System. On April 8, 2002, the Division filed a Memorandum supporting the pre-approval of the expenditure. At the April 9, 2002 Open Meeting, after a review of the Request and Division Memorandum, the Commission granted Pascoag’s Request.

<sup>19</sup> Pascoag Ex. 1, Exhibit II-9. Pascoag also provided a detailed Reconciliation of its 2001 DSM/Renewables Budget, including an accounting of Administrative Expenses. Id. at Exhibit V-1.

III. Public Hearing

Following notice, a public hearing was conducted at the Commission's offices, 89 Jefferson Blvd., Warwick, Rhode Island, on May 23, 2002. The following appearances were entered:

FOR PASCOAG:	William L. Bernstein, Esq.,
FOR DIVISION:	William Lueker, Esq. Special Assistant Attorney General
FOR COMMISSION:	Cynthia G. Wilson, Esq. Senior Legal Counsel

Pascoag presented Mr. Theodore Garille, General Manager of Pascoag, Ms. Judith Allaire, Accounts and Customer Service Manager for Pascoag, Christine Cournoyer, Key Accounts Representative for Pascoag's C&I Customers, Donna Finch, Administrator of Residential Conservation Services for ENE, John Muro, Chief Operating Officer of ENE, and Mr. Charles Boucher, Department Chair of the Applied Science and Technology Department at Burrillville High School.

Prior to the hearing, Ms. Allaire had advised the Commission that Mr. Boucher had been named Teacher of the Year for the Burrillville School Department. The Commission had reviewed Mr. Boucher's projects and his credentials. The Commission was impressed that Mr. Boucher had taken the initiative in applying to the Rhode Island Renewables Collaborative and to Pascoag for the funding needed to develop systems to reinforce the classroom theory in his Power and Energy Technology Course. The Commission values the advancement of creative education programs and endeavors in stimulating the interests of Rhode Island students in the area of renewable energy

resources. To that end, the Commission presented Mr. Boucher with its first Certificate of Recognition for the role Mr. Boucher is playing in advancing interest in Renewables.<sup>20</sup>

Mr. Boucher gave the Commission an overview of his course entitled Power and Energy. He explained that the course is centered on topics related to the utilization of power, including alternative energy sources. In order to expand the course, Mr. Boucher explained that he had applied for a grant for a photovoltaic array that will be mounted to the roof of Burrillville High School. The unit will be used to supplement school power. In addition, the school will be receiving a complete monitoring system that will be used in the Power and Energy course. Mr. Boucher stated that Pascoag's grant has been applied to the cost of the monitoring system.<sup>21</sup>

Ms. Allaire briefly outlined the new programs that were described in Pascoag's filing. She indicated that approximately 200 people had visited Pascoag's booth at the Burrillville Family Fair. Pascoag had also sponsored a seminar presented by ENE at Burrillville High School. The seminar had focused on engineering and energy audits.<sup>22</sup> Next, referring the C&I projects, she indicated that the Zambarano project was completed and the loan repayment was on schedule.<sup>23</sup>

In response to questioning from the Commission, Ms. Allaire and Mr. Muro indicated that they would advocate the creation of a weatherization program, particularly for low-income households. In response to support from the Commission, the witnesses agreed that they could create a program within the 2002 programs and budget.<sup>24</sup> In

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<sup>20</sup> After receiving notification from Ms. Allaire, the Commission notified the other parties of the communication and proceeded as described above. Presentation of the Certificate of Recognition may be found at Tr. 5/23/02, pp. 6-14.

<sup>21</sup> Tr. 5/23/02, pp. 18-21.

<sup>22</sup> Id. at 33-35.

<sup>23</sup> Id. at 48.

<sup>24</sup> Id. at 48-50.

addition, Pascoag agreed to file requests to reallocate up to 10% of the total budget among programs in accordance with the success of the various programs. In response to Commission questioning, the Division agreed to continue to oversee that process.<sup>25</sup> During the hearing, the Commission requested Pascoag to file a report with the Commission setting forth its requests for reallocation.<sup>26</sup>

Finally, Mr. Garille testified that with regard to the investigation into implementing demand response programs and on-site generation programs, Pascoag's request is for approval of a study. Mr. Garille agreed that funding for implementation of a program for on-site generation would not be requested until 2003. However, Mr. Garille also testified that Pascoag's largest customer, DPI, is currently in the process of designing a new plant, which would have a demand of approximately 600kW which, in addition to its current 600kW demand, would represent 2% of Pascoag's total load. He emphasized that in order to implement the most cost effective and efficient systems, it was imperative to take a proactive standpoint in order to be able to be in the position to "shave the peak and save power."<sup>27</sup>

Mr. Garille reminded the Commission that Pascoag had been successful in entering into a similar arrangement with Zambarano State Hospital, a 400-450 kW customer. He indicated that during the summer 2001, Pascoag requested Zambarano to switch to on-site generation on three occasions, to reduce peak demand when NEPOOL and ISO-NE issued advisories. Mr. Garille testified that although Zambarano had not

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<sup>25</sup> Tr. 5/23/02, pp. 51, 60-61.

<sup>26</sup> *Id.* at 61.

<sup>27</sup> Tr. 5/23/02, pp. 62-66.

expressed interest in entering into a formal agreement with Pascoag, it had been willing to help on the three occasions.<sup>28</sup>

Mr. Garille indicated that DPI owners had expressed interest in Pascoag's generation proposal and as such, while it may take up to two years to implement a program, if the company chose Pascoag to provide its power, the result would benefit the company and other Pascoag ratepayers.<sup>29</sup>

In response to questioning from the Division, Mr. Garille reminded the Commission that in the past, Pascoag had funded a rebate of approximately \$74,000 for new chillers installed at the Burrillville Hockey Rink. Shortly thereafter, the system failed. Pascoag was still in the process of rectifying the situation during the hearings held on its 2001 DSM filing. However, since that time, Pascoag's counsel has been successful in obtaining new, more efficient replacement units. According to Mr. Garille, the new units are in good working order.<sup>30</sup>

#### IV. Commission Findings

The Commission commends Pascoag on its hard work in redesigning its DSM/Renewables Programs for 2002. The 2002 filing contains several creative projects that appear to have been well thought out and will hopefully prove to be successful. The partnership with ENE and its Advisory Group focused on energy conservation programs for municipal electric systems appears to respond to the concerns expressed by the Commission in 2001. Moreover, Pascoag has responded to the concerns of the Commission regarding education.

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<sup>28</sup> Id. at 64.

<sup>29</sup> Id. at 66-67.

<sup>30</sup> Id. at 69-70.

The Commission approves Pascoag's filing of its 2002 Demand Side Management Programs and Renewables Programs and associated budget, finding it to be in the best interests of Pascoag's ratepayers.

V. Request to Reallocate Funds and to Implement a Weatherization Program

On June 6, 2002, Pascoag filed a request seeking approval to: (1) allocate \$10,000 of DSM funds to budget a weatherization program and (2) transfer \$14,700 of DSM funds among its overall approved DSM/renewables budget. Pascoag indicated that a weatherization program is possible by reallocating funds from the HVAC program, under which no programs had been identified.<sup>31</sup>

The proposed weatherization program is aimed at low-income non-home owners and includes home audits and the installation of non-invasive weatherization products. The proposed budget also includes the development and tracking of the program. Specifically, Pascoag intends to work with the State Energy Office and Tri Town to ensure no duplication of existing programs.<sup>32</sup> In addition to the \$10,000 budget request for the development and installation of products, Pascoag requested an additional \$5,000 for the audits.

The remainder of Pascoag's request included the reallocation of funds as follows: (1) decrease the budgeted amount for annual payments to ENE due to the fact that the contract price is based on ten months rather than the budgeted twelve month period; (2) decrease in administrative expenses; (3) decrease budget for pending projects; (4)

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<sup>31</sup> Pascoag's proposed low income/fixed income weatherization program and funding request of \$10,000 require Commission approval. Pascoag's request to transfer \$14,700 requires Division approval. However, the Division indicated in a letter to the Commission that because the proposals, taken together, exceed 10% of the total budget, it recommended approval be made by the Commission. The Division's staff memorandum, filed with the Commission on July 18, 2002, indicated that the Division had reviewed the filing and recommended approval.

increase the budget for the electric heat conversion program to include a tracking system to accompany the original program and (5) increase the renewables budget to provide Mr. Boucher with a grant to acquire a fuel cell technology program for his renewable energy class.

At an open meeting held on July 24, 2002, the Commission considered and unanimously approved Pascoag's requests, finding that the weatherization program will serve the best interests of Pascoag residents who do not own their own homes. The Commission notes that the electric utility companies in Rhode Island face challenges in meeting the weatherization needs of their customers who do not own their residences. Oftentimes landlords may not be interested in undertaking a large investment in weatherization if tenant utilities are not included in the rent. Tenants, on the other hand, are not at liberty to make substantive changes to their dwelling. Pascoag's response to the Commission's suggestion of a weatherization program for low-income tenants is a good first step in addressing that challenge.

Accordingly, it is hereby

(17104) ORDERED:

1. Pascoag Utility District's 2002 Demand Side Management and Renewables Programs and associated budget filed on March 4, 2002, as amended on June 6, 2002, are hereby approved.
2. A Conservation and Load Management Adjustment Factor of \$0.0023 per kilowatt-hour is hereby approved for usage on and after March 4, 2002 through December 31, 2002.

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<sup>32</sup> See Request for Reallocation of Funds Demand Side Management Program RIPUC Docket No. 2510, pp. 2-3.

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 2003 DSM/Renewables Filing no later than October 15, 2002.
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 MAY 23, 2002 AND AN OPEN MEETING DECISION ON JULY 24, 2002. WRITTEN ORDER ISSUED AUGUST 20, 2002.

PUBLIC UTILITIES COMMISSION

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Elia Germani, Chairman

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Kate F. Racine, Commissioner

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Brenda K. Gaynor, Commissioner