STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS
Accounting Section
89 Jefferson Boulevard
Warwick, Rhode Island 02888
(401) 941-4500
(401) 941-9248 – Fax

# Memorandum

**DATE:** May 4, 2022

**TO:** Luly Massaro
Clerk, Public Utilities Commission

**FROM:** Joel A. Munoz
Assistant to the Chief Accountant, Division of Public Utilities and Carriers

**SUBJECT:** Docket No. 5244 - In Re: Block Island Utility District
2022 Demand Side Management Plan

## BACKGROUND

The Block Island Utility District (BIUD) Demand Side Management (DSM) Plan evolved from the Block Island Saves Pilot Program, which ran from 2015-2017 and was sponsored by the Office of Energy Resources (OER). The first iteration of BIUD DSM Plan was filed with the Public Utilities Commission (Commission) on February 10, 2020 (the 2020 Plan). The 2020 Plan had a budget of $120,000, funded by a combination of $60,000 in revenue from utility rates and a $60,000 grant from the OER's Renewable Greenhouse Gas Initiative (RGGI) fund.[1] Due to the COVID-19 pandemic and the late launching of the 2020 Plan, the second iteration of the BIUD DSM Plan filed on March 30, 2021 (the 2021 Plan) had a $99,540 carryover of unspent funds. The 2021 Plan had a proposed budget of $159,540, which included the substantial carryover plus a collection of $60,000 in revenue from utility rates.[2] The Commission at its Open Meeting on May 26, 2021, disallowed $40,000 in unallocated, roll-over funds and level-set the budget at

[1] OER allocated a total of $180,000 in RGGI auction proceeds disbursed over three years to support the annual BIUD DSM Plans from 2020-2022.

[2] BIUD agreed to defer the $60,000 RGGI grant from OER until 2023 because of the substantial carryover from 2020.

approximately $120,000. The third and most recent iteration of the BIUD DSM Plan was filed in this docket on March 31, 2022 (the 2022 Plan).

The 2021 Plan, unlike the 2020 Plan, had a full year's implementation stemming from an easing of the effects and restrictions of the COVID-19 pandemic. However, staff turnover issues with the implementation contractor (ENE) negatively affected the overall program participation. As a result, there was a carryover of $26,968 in the 2022 Plan.[3] The carryover will be used to reduce the rates in 2022-2023. The proposed 2022 Plan budget is $119,540.

Table 1: Demonstrates the surcharges, proposed budgets, and the amounts of the budgets spent for all the BIUD DSM Plans filed to date.[4]

| Plan Year | Peak Months per kWh | Shoulder Months per kWh | Proposed Budgets | Actual Spend |
|---|---|---|---|---|
| 2020 | $0.01000 | $0.00395 | $120,000 | $20,460 |
| 2021 | $0.00330 | $0.00132 | $159,540[5] | $83,189 |
| 2022 | $0.00550 | $0.00220 | $119,540 | TBD |

## COMMENTS

PROGRAM STATUS TO DATE

In the 2020 Program Year (official launch in November 2020 – May 2021) BIUD spent 17% of the proposed budget completing seventeen (17) Residential audits and zero (0) Commercial audits. In 2021, BIUD anticipated "pent-up demand" for energy audits that would then create a "bandwagon effect" to further increase the demand for the DSM programs. In the 2021 Program Year (June 2021-May 2022), BIUD spent 69% of the *approved* budget but would only have spent 52% of its *proposed* budget, completing nineteen (19) Residential audits and six (6) Commercial audits. Although it reached its goal for Commercial audits and spent more of its budget in 2021, BIUD has fallen short of its Residential audit goal of forty-five (45) audits per year in both program years. BIUD achieved 38% of its Residential audit goal in 2020 and 42% in 2021; but has not yet managed to spend its budget either proposed by BIUD and/or approved by the Commission.

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[3] BIUD's filing incorrectly used $36,811, which was the carryover from the previous year. Also, the Division notes the following calculation errors in BIUD's Schedules 1 and 2: Schedule 1, June-23 Efficiency Revenue = 2,769 not 1,714; Schedule 2, Oct-21 Efficiency Revenue = 1183, not 1261; May-22 Efficiency Revenue = 1261, not 1280; and June-22 Efficiency Revenue = 2,967 (1,348,806 kWh x $0.0022), not 1028.

[4] The Peak Months include July and August. The Shoulder Months include May, June, September, and October. There is no surcharge for the Off-Peak Months of November, December, January, February, March, and April.

[5] Commission Order No. 24094 disallowed $40,000 in unallocated, roll-over funds and allowed a total budget of $119,540.

The Division of Public Utilities and Carriers (Division) finds little evidence to demonstrate a pent-up demand for energy audits and has concerns, based on the budget spends, of how well the DSM program is being received. The Division accepts BIUD's reasons, including the pandemic and ENE's staff turnover as barriers having negative effects on overall program participation. As one solution, the Division points to ENE's staff visit to Block Island and ride-along with the program manager on October 18, 2021, as an example of a successful approach to reaching audit goals and promoting uptake for the programs offered in the DSM plan.[6]

COLLABORATION WITH BI SOLAR INTIATIVE

Another area of interest to the Division is the BIUD's unsuccessful efforts to collaborate with the island philanthropist's efforts to promote heat pumps, the program known as the BI Solar Initiative. BIUD reports that despite several meetings, collaboration between the BI Solar Initiative and the DSM program has not been achieved. The Division would like to learn more specifics on the nature of those meetings. Particularly, the Division would like to understand further what barriers currently exist that will continue to impede productive collaboration. In the Division's view, it certainly makes sense for the BIUD to focus on the 52 heat pump installation recipients, offering them the full suite of DSM measures that will enhance the efficiency of the heat pumps, most importantly audits and weatherization measures. If collaboration is achieved, the Division would prefer that the BIUD not merely offer a heat-pump incentive on top of the incentive already provided by BI Solar Initiative. Instead, the Division would support offering programs and measures not offered by the BI Solar Initiative.

RATE DESIGN

Commission Order No. 24094 instructed BIUD to address the rationale for the continued rate design of the DSM surcharge in the 2022 Plan. The BIUD did not include the rational in the 2022 Plan filing. The BIUD's response to Commission Data Request (DR) 1-1 states that because the focus is on peak management and because it has not received customer complaints, the BIUD will continue to use the current rate structure. All the DSM plans filed to date have had the benefit of RGGI monies, a substantial carry-over from the year before, or a combination of both. The goal of the Block Island Saves Pilot Program and the allocation of $180,000 in RGGI funds over three years was intended to help jump-start the DSM program, not to sustain it in the long-term. The 2023 Plan will be the last plan that will have the benefit of RGGI monies. The Division has concerns about the sustainability of the DSM program without RGGI funding. A DSM program budget funded entirely by a DSM surcharge could result in a dramatic rate increase to BIUD customers which will probably lead to customer dissatisfaction.

BENEFIT-TO-COST ANALYSIS

It is critical to analyze how successful the DSM program has been in allowing customers to optimize their energy use and reduce their utility bills. Equally important, BIUD should analyze how the DSM program has reduced grid maintenance and capital expenditures, reduced peak charges, and facilitated greater service reliability. Unfortunately, neither the Division nor the Commission have the necessary data and analysis to understand the full scope of benefits relative

[6] The 2022 Plan, Page 4 of 18.

to program costs so that the value to BIUD ratepayers can be ascertained. Commission Order No. 24094 instructed BIUD to perform a quantitative benefits-cost analysis to the electric power system in the 2022 Plan. BIUD did not include the analysis in the 2022 Plan filing. The BIUD's response to Commission DR 1-2 states that its consultant will include a cost-benefits analysis of the program to date as part of the Program Year 2021 reporting period (ending May 31, 2022) by June 30, 2022, which indicates that the consultant could have at least provided some limited cost-benefit analysis of the program to date in this year's filing. The Division is disappointed with the BIUD's failure to provide any cost-benefits analysis whatsoever. The Division can accept that the BIUD did not conduct an analysis as part of the 2021 filing due to limited participation. However, the Division cannot accept or condone the lack of analysis in the 2022 filing, especially when considering the Commission's order in Docket No. 5013.

The Division notes that BIUD collected approximately $20,000 from ratepayers in the 2021 Plan and proposes to collect over $30,000 from them in the 2022 Plan. The Program Administration was budgeted at $19,840 for both years. RGGI funds cannot be used for program administration costs. Therefore, the ratepayer surcharge is being used mostly, if not entirely, for consultant fees. While this is completely appropriate, the Division questions the benefits to ratepayers, who are funding the administration of a program that has not scaled up to expectations. While the Division acknowledges that the BIUD's DSM Plan has energy savings, delivered fuels savings, and is intended to promote the goals of the 2021 Act on Climate, it is difficult to understand if the program is cost-effective and in the interest of ratepayers without the data and analysis of benefits from BIUD's consultant.

## RECOMMENDATIONS

1. The Division recommends that the BIUD continue its personal outreach to promote audits and schedule similar visits, such as the one held on October 18, 2021, if it finds there is not the anticipated pent-up demand for audits.

2. The Division would like to evaluate the best way to continue funding the plans after 2023. The Division recommends that the BIUD begin to consider in its rational for maintaining the current rate design a full funding of the DSM plan from the customer DSM surcharge alone.

3. The Division also recommends that the BIUD begin to consider ways in which it can simplify the DSM program to focus on measure and programs for which actual demand exists and which result in actual energy savings.

4. The Division also recommends the Commission order BIUD to perform a quantitative benefits-cost analysis to the electric power system in the 2023 Plan filing, prior to the Program Year 2022 reporting period (ending May 31, 2023). The Division believes that this recommendation provides sufficient time for BIUD to complete the analysis and we fully expect the results to be incorporated into the 2023 Plan filing.

5. Although the Division is disappointed with the limited success of the program to date and in the BIUD's lack of reporting of benefits of the program, the Division recognizes that the program was launched at an inopportune and difficult time, over which BIUD did not have

any control or foreseeability. Therefore, the Division will support the 2022 Plan and recommends the approval of its budget this year.[7] However, the Division expects to see more data -driven analysis of the overall benefits and costs of the program. The Division will revisit its support of future DSM plans based on submitted benefit-to-cost analysis.

6. Finally, the Division recommends that the BIUD refile Schedules 1 and 2 to address the errors in calculation noted in Footnote 3.

[7] Please note that the Division does not support any portion of the budget going to contractor bonuses.