



STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS

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**To: Luly Massaro, Commission Clerk
Rhode Island Public Utilities Commission**

**From: Joel Munoz, Rate Analyst
Division of Public Utilities & Carriers**

Date: December 9, 2022

**Re: R.I.P.U.C. Docket No. 22-40-EE
Pascoag Utility District 2023 Demand Side Management Filing**

On November 7, 2022, Pascoag Utility District (“Pascoag” or the “Utility”) filed with the Public Utilities Commission (“Commission”) its annual Demand Side Management (“DSM”) plan filing, the 2023 DSM Plan (the “DSM Plan”). Pascoag proposed a 2023 DSM Plan budget of \$216,777, a 6% decrease from the \$223,515 budget approved in last year’s DSM plan filing (Docket No. 5195). The DSM Plan has some notable funding aspects that warrant the Commission’s attention.

First, the Utility is asking for an increase of 1 mil per kWh (\$0.001) to the System Benefit Charge (“SBC”) for the first time in 25 years. Pascoag is proposing an increase from 2 mil per kWh (\$0.002) to 3 mil per kWh (\$0.003). The requested increase would have two results: 1) a monthly increase from \$1.00 to \$1.50 for a typical residential 500 kWh a month user; 2) an increase of over \$54,000 in Estimated Sales revenue collected from Pascoag ratepayers when compared to last year.

Second, the Regional Greenhouse Gas Initiative (“RGGI”) monies pledged to Pascoag from the Office of Energy Resources (“OER”) will be fully exhausted by 2024. OER committed \$120,000 to be used over three years (2022-2024). In 2022, \$75,000 of the RGGI money was budgeted and used. An additional \$37,500 is pledged to this year’s DSM Plan, leaving only \$9,300 in RGGI money for Pascoag’s 2024 DSM Plan.

Table 1: DSM Plan Budgets 2021-2023

DSM Plan Year	2021	2022	(Filed) 2023
Budget	\$253,348	\$223,515	\$216,777
Carryover Previous Yr.	\$69,977	\$40,967	\$19,035
RGGI Funds	\$75,345	\$75,000	\$35,700
Estimated Sales	\$108,026	\$107,548	\$162,042
SBC per kWh	\$0.002	\$0.002	\$0.003
Monthly Cost (500 kWh user)	\$1.00	\$1.00	\$1.50

Third, Pascoag seeks to better align DSM program spending with sector (Residential, Commercial & Industrial) SBC contributions. The proposed realignment results in a decrease in residential program funding from \$117,745 in 2022 to \$99,217 in 2023, bringing the residential portion of the budget to 60%, which better aligns with residential SBC contributions. Table 2 provides a breakdown by sector budgets and costs of the program from 2021 through 2023.

Table 2: SBC Contribution by Sector & Program Costs

DSM Plan Year	2021	2022	(Filed) 2023
Residential	\$157,148	\$117,746	\$99,217
Commercial & Industrial	\$44,692	\$55,169	\$65,460
Administrative Costs	\$31,500	\$31,500	\$33,000
Community Outreach, Marketing & Education Costs	\$20,008	\$19,100	\$19,100

COMMENTS:

The Division supports Pascoag’s alignment of funding by sector SBC contributions and ratio of budgets and spending because it is equitable. The 2023 funding to SBC contribution proposal of a 60% to 40% ratio in budgeting in favor of residential is more symmetrical and synchronized with what the sectors are contributing into the DSM Plan.

The Division was concerned with the future funding of the DSM program beyond 2023, after which there will be little to no RGGI money support. The Division issued Data Requests asking Pascoag about the level of intended DSM funding in future years. The Division also wanted to know if Pascoag intended to increase the SBC in future-year filings beyond the 1 mil per kWh (\$0.001) in this year’s DSM Plan. The Utility informed the Division that it does not intend to increase the SBC beyond the 1 mil per kWh (\$0.001) in this year’s DSM Plan for the foreseeable future. The additional funds collected from the 1 mil per kWh increase will be used to sustain the program in future years. Pascoag also stated that DSM budgets may even decrease in future years.

The majority, or 73%, of the \$99, 217, of the proposed Residential budget is allocated to the Audits and Weatherization Programs. The revenue from Pascoag's proposal to collect more than \$54,000 in additional revenue from ratepayers would go to support the Residential Weatherization and HVAC program incentives. Despite the ripple effects of the COVID pandemic, Pascoag has done yeoman work to maintain viable auditing and weatherization programs. For example, by the conclusion of its 2021 DSM Plan, Pascoag completed 78 energy audits and weatherized 27 residential homes. In its current 2022 DSM Plan, Pascoag has completed 61 Energy Audits and weatherized 16 residential homes through October.

On the commercial and industrial side, Pascoag is confident that with OER's help, the Burrillville School Department ("BSD") LED project will move forward in 2023, now that the BSD is eligible for technical and financial assistance through the Public School LED Lighting Accelerator program. In addition, the Utility has already completed lighting projects at the Public Library and the Walum Lake Rod and Gun Club. Pascoag is currently working on completing lighting projects at Zambrano Hospital Power Plant and Clocktower Apartments.

Pascoag has presented a Business Case in Schedule C of its DSM Plan, in accordance with the Commission's directives found in Report & Order #24394 in Docket No. 5195. Clearly, the majority of the benefits generated by DSM plans come from outside of the electric sector. However, Pascoag has a strong sense of what its customers want and need. Energy audits and weatherization measures may favor heating savings instead of cooling savings, but the long-term energy savings associated with weatherizing a residence lasts for decades and certainly benefits the Pascoag ratepayer that takes advantage of those programs, and the system benefits as a whole as customers electrify their heating. Those very same energy audits and weatherization are encouraged by the Act on Climate in meeting decarbonization goals.

The Division considers the fact that Pascoag is a not-for-profit utility that does not rely on performance incentives when administering its DSM program. Rather, Pascoag relies on its historically close relationship with its customers and understands what their customers demand. According to Pascoag, customers are demanding energy audits and weatherization measures on the residential side, and demanding lighting projects on the commercial and industrial side. The benefits of having more efficient lighting in its public library, its hospital, schools, and apartment complexes will benefit Pascoag ratepayers, even indirectly or in societal sense. Ultimately, the benefits of the DSM programs stay within Utility's territory and remain available for the benefit of Pascoag's customer base.

The Division recommends approval of the Utility's request to increase the SBC by 1 mil per kWh (\$0.001), from 2 mil per kWh (\$0.002) to 3 mil per kWh (\$0.003) for this DSM Plan, because Pascoag supported the need for the funding by showing that the demand for the programs exists and is warranted.