



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 6, 2023

**Re: R.I.P.U.C. Docket No. 23-41-EE
Pascoag Utility District 2024 Demand Side Management Plan**

On November 9, 2023, Pascoag Utility District (“Pascoag” or the “Utility”) filed with the Public Utilities Commission (“Commission”) its annual Demand Side Management (“DSM”) Plan, the 2024 DSM Plan, with a proposed budget of \$235,568. The budget includes \$54,260 in earmarked funds for Lighting projects at Burrillville High School and Zambrano Hospital that were initially scheduled to begin in 2023 but have been delayed into the 2024 calendar year. The budget also includes a final injection of funds, \$9,054, from Regional Greenhouse Gas Initiative (“RGGI”) monies pledged to Pascoag from the Office of Energy Resources (“OER”). OER committed \$120,000 to be used over three years (2022-2024). Those RGGI funds are now fully exhausted.

Background

In last year’s 2023 DSM Plan filing (Docket No. 22-40-EE), the Utility requested and was granted an increase of 1 mil per kWh (\$0.001) to the System Benefit Charge (“SBC”) for the first time in 25 years, an increase from 2 mil per kWh (\$0.002) to 3 mil per kWh (\$0.003). The Division supported the Utility’s request to increase the SBC by \$0.001 because Pascoag supported the need for the funding by showing that the demand for the programs existed and an increase in the SBC was warranted. The SBC increase had two results: 1) a monthly increase from \$1.00 to \$1.50 for a typical residential 500 kWh a month user; and 2) an increase of over \$54,000 in Estimated Sales revenue collected from Pascoag ratepayers that went to support weatherization and HVAC program incentives.

Budget Review

In its 2024 DSM Plan, Pascoag is not proposing any changes to the current SBC charge of 3 mils per kWh. The following table provides a comparison of funding sources for the proposed 2024 Plan to the two prior years. The table shows that the decline in RGGI funding has been covered for the most part by the 2023 increase in the SBC charge. This has allowed Pascoag to continue with its DSM programs without any major cutbacks.

Table 1: DSM Plan Budgets 2022-2024

DSM Plan Year	2022	2023	(Filed) 2024
Budget	\$223,515	\$216,777	\$235,568 ¹
Carryover Previous Year	\$40,967	\$19,035	\$10,653
RGGI Funds	\$75,000	\$35,700	\$9,054
Estimated Sales	\$107,548	\$162,042	\$161,601
SBC per kWh	\$0.002	\$0.003	\$0.003
Monthly Cost (500 kWh user)	\$1.00	\$1.50	\$1.50

When setting its budget, Pascoag considers the alignment of DSM program spending with Sector (Residential, Commercial & Industrial) SBC contributions. The Division supports Pascoag's alignment of funding by Sector SBC contributions and ratio of budgets and spending because it is equitable. The 2024 DSM Plan budgeting spending is symmetrical and synchronized with what the sectors are contributing into the DSM Plan.

Table 2: Program Budget by Sector

DSM Plan Year	2022	2023	(Filed) 2024
Residential	\$117,746	\$99,217	\$87,700
Commercial & Industrial	\$55,169	\$65,460	\$98,868
Administrative Costs	\$31,500	\$33,000	\$33,000
Community Outreach, Marketing & Education Costs	\$19,100	\$19,100	\$16,000

Residential Program Review

Since the pandemic, Pascoag continues its efforts to maintain viable auditing and weatherization programs for its residential customers. In 2021, Pascoag completed 78 energy audits and weatherized 27 residential homes. In 2022, Pascoag completed 61 Energy Audits and weatherized

¹ The proposed 2024 DSM Plan budget includes \$54,260 of earmarked, carry-over monies for lighting projects from the 2023 DSM Plan.

16 residential homes. In 2023, Pascoag had completed 56 Energy Audits and weatherized 18 homes through October. In essence, the Residential Program is a weatherization program that provides long-term benefits and system benefits as residential customers electrify. The Residential Program also provides incentives for customers to electrify their heating and hot water through its HVAC and Water Heater programs, offering incentives for ducted and ductless mini-splits, central heat pumps, and heat pump water heaters.

Commercial & Industrial Program Review

On the commercial and industrial side, Pascoag with technical and financial assistance from OER's Public School LED Lighting Accelerator program continues to explore a few large Lighting Projects in collaboration with the Burrillville School Department, Zambrano Hospital, and the Town of Burrillville. The Zambrano Hospital project is expected to save an estimated 235,000 kWh annually. The Burrillville High School project will save an estimated 273,000 kWh annually. The Hauser Field project will save an estimated 34,500 kWh.²

LED Streetlights

Pascoag's current Accounts Receivable balance from the DSM Program for the 610 LED Streetlights it previously purchased and installed is \$33,096. The Street Light Project was completed in 2016 and the DSM Program has been rebating Pascoag \$10,000 annually. The proposal for 2024 is to reduce the rebate to \$5,000 which would bring the balance to \$28,096 in 2024. According to Pascoag's filing, the reduced payment is being proposed due to funding needs of other areas of the program. The proposal does not state whether this change is a permanent reduction or limited to 2024. The Division discussed this with Pascoag, and they informed us that it is something that they will revisit on an annual basis until the amount is paid off which they anticipate will be in 3-5 years. This timeframe will allow for the pay-off to occur prior to the end of the useful lives of the fixtures. The fixtures have a 20-year life with the oldest ones reaching the end of their life in 2032. The Division believes Pascoag's proposal is reasonable and does not object to it since it provides budget flexibility and allows other efficiency measures to move forward without increasing the SBC.

Recommendation

Based on the review of current and recent prior year's DSM Plans, the Division believes that Pascoag has a strong sense of what its customers want and need. Energy audits and weatherization measures provide customers with both heating and cooling savings, in addition, the long-term energy savings associated with weatherization lasts for decades and certainly benefits the Pascoag ratepayer that takes advantage of those programs and the system as a whole as customers electrify their heating. Those very same energy audits and weatherization measures assist in meeting the decarbonization goals set by the Act on Climate.

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

² Pascoag's 2024 DSM Plan, Pages 20-21.

historically close relationship with its customers and understands what their customers demand. Pascoag customers continue to take advantage of energy audits and weatherization measures on the residential side, and lighting projects on the commercial and industrial side. The benefits of having more efficient lighting in its public library, its hospital, its recreational field, and apartment complexes will benefit Pascoag ratepayers, even indirectly or in societal sense. The benefits stay within Pascoag's territory and for the benefit of its customer base.

For all the aforementioned reasons, the Division supports the Utility's 2024 DSM filing and recommends that the Commission approve the Plan as filed.