

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: PASCOAG UTILITY DISTRICT :
DEMAND SIDE MANAGEMENT PROGRAMS : DOCKET NO. 3700
FOR 2006 :

REPORT AND ORDER

I. Introduction

On October 7, 2005, the Pascoag Utility District (“Pascoag”) filed its Demand Side Management (“DSM”) Programs for 2006 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 \$192,000, subsequently updated to \$194,700, all of which would be generated through the surplus remaining from Pascoag’s 2005 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

Ms. Judith R. Allaire indicated that Pascoag has proposed continuation of many of the 2005 programs due to customer interest. As in past years, Pascoag will perform a mid-year review of the performance of its programs. Additionally, in 2006, Pascoag will have a dedicated DSM Fund separate from its General Revenues, an account that was

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. See Demand Side Management Budget – 2006, Including Changes Incorporated from the 11/30/05 Technical Session.

funded throughout 2005.³ This will allow Pascoag to accurately account for all DSM program related expenses and revenues separately from its General Revenues.

A. Residential Programs

Pascoag has proposed continuation of the following seven 2005 programs, some with modifications: Residential Conservation Service, Home Energy Audits, Heating Equipment Replacement, Energy Homes/EnergyStar Appliances, EnergyStar Lighting and Programmable Thermostats, Energy Efficient Doors and Windows, and Home Office Equipment/Home Electronics.⁴ Pascoag initially proposed discontinuing the Incentive for Electric Heat Conversion, but during the course of the proceedings in this matter, Pascoag decided to maintain the line item with a small budget to account for the possibility that there would be additional customer interest. Pascoag discontinued the Multi-Family Electric Home Conversion because the project had been completed in 2005.⁵

Pascoag's Residential Conservation Service is comprised of several programs conducted through Pascoag's partnership with Energy New England ("ENE"). ENE, 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 increasing from \$1,500 to \$1,800. The \$300 increase results from a \$25 monthly increase. This follows a decrease from \$1,700 to \$1,500 in 2005.⁶

With regard to the Home Energy Audits Program, Pascoag continued the program with levelized funding of \$5,500 in 2006. Although only nine customers had participated

³ Pascoag's DSM Filing, Executive Summary, pp. 1-2, Response to Commission Data Request 1-18.

⁴ Pascoag's DSM Filing, Program Summary, pp. 1-5.

⁵ *Id.* at 6; Demand Side Management Budget – 2006, Including Changes Incorporated from the 11/30/05 Technical Session.

as of September 2005, Pascoag has proposed targeting the number of audits at 14, with increased incentives from 2005. Pascoag anticipates that more customers will participate as the winter weather arrives.⁷

In 2005, Pascoag again found the EnergyStar appliance program to be one of its best performing, processing over 100 incentives for dehumidifiers, clothes washers, dish washers, refrigerators and air conditioners as of September 2005. Because of the level of participation, Pascoag has proposed an increase in the budget from the originally requested \$10,000 in 2005 to \$11,000 in 2006.⁸

Pascoag's program, Energy Efficient Windows was introduced in mid-2004 and was very popular, but had a reduction in participation in 2005. Under the program, Pascoag provides rebates to customers installing replacement windows that qualify for the EnergyStar rating. As of September 2005, Pascoag had processed more than 250 window incentives and 11 door incentives, but because of the reduced level of participation, Pascoag has proposed lowering the budget from \$16,000 to \$10,000. The rebate will remain at \$25 per window and the rebate for doors will be \$50 per door. The program is limited to 20 windows and 2 doors per customer.⁹

Pascoag proposed to continue the Energy Efficient Heating System/Burner Program in 2006. Pascoag has proposed continuing the 10% rebate, not to exceed \$350, to customers replacing old heating systems with EnergyStar compliant equipment. As of

⁶ Id. at 1.

⁷ Id. at 1-2.

⁸ Id. at 2.

⁹ Id. at 3.

September 2006, Pascoag had processed 14 incentives. Pascoag's proposed line item of \$7,000 will allow for participation by 20 customers, the same level as 2005.¹⁰

Pascoag's program, the EnergyStar Lighting/Thermostat Program, introduced in 2004, provides a rebate for qualifying lighting and thermostats. In 2005, the budget was reduced and Pascoag has found that while the thermostat program has satisfied participants, the lighting program has not performed as satisfactorily with customers. For example, while the thermostats tend to be utilized regularly after installation, Pascoag has anecdotal evidence that customers are replacing energy efficient lighting with less efficient substitutes. Therefore, while Pascoag proposes continuing both programs, albeit at a reduced funding level of \$1,500 compared to 2005 funding of \$2,300, it will re-evaluate the continuation of the lighting program for 2007.¹¹

In 2005, Pascoag introduced a new residential program, Home Office Equipment/Home Electronics, with a budget of \$6,000. This program provides a rebate on home office equipment and home electronics that qualify for the EnergyStar rating. Although the qualifying equipment has the potential to save significant kWhs of usage, customer interest has not yet risen to a satisfactory level. However, because of the possible energy savings, Pascoag proposes continuation of the program with additional promotion to customers. The budget will be set at \$3,000 and the rebate will be 25% per item with a cap of \$50 per item.¹²

¹⁰ Id. at 4. After the hearing in this matter, Pascoag allocated additional funds to this line item in 2005 to meet demand.

¹¹ Id. at 4-5.

¹² Id. at 5-6. The 2005 budget was reduced to \$1900 through reallocations because of low demand.

B. Commercial and Industrial Programs

Pascoag is proposing \$106,000 to be allocated to commercial and industrial (“C&I”) programs: \$40,000 for a customized Lighting/HVAC/Energy Efficient Motors program at the Callahan School, in addition to the \$40,000 allocated in 2005, \$2,500 for a new Office Equipment Incentive structured in the same manner as the residential program discussed above, \$20,000 to be allocated to the Burrillville Community Library for energy efficient lighting incentives in 2006, with a possibility of additional incentives in 2007, \$3,000 to be allocated to the Pascoag Utility Department – Water Division for energy efficient equipment for a new well, and \$500 for site visits and meetings with its small business customers. Pascoag believes one-on-one meetings with customers will allow them to provide better customer-specific assistance.¹³

Pascoag had originally included funding for projects at Zambarano Hospital and Northwest Auto. However, at the time of the Technical Session, Pascoag had learned the projects may not be commenced in 2006. Therefore, in order to serve customers who are at a more advanced planning stage, Pascoag has included two unfunded line items, one for each customer. In the event either customer wishes to participate in the programs in 2006, Pascoag will provide incentives to the extent the budget will allow.¹⁴

C. Administrative/Education/Outreach

Pascoag has requested approval of a \$2,500 line item that it can apply to programs that prove to be more successful than expected and has requested the ability to transfer up funds from less successful programs to more successful programs with Division approval. However, Pascoag notes that its request mirrors that of prior years which required that

¹³ Id. at 7-10; Demand Side Management Budget – 2006, Including Changes Incorporated from the 11/30/05 Technical Session.

transfers over 10% of the total budget would require Commission approval.¹⁵ Pascoag indicated that the National Grid consultant fees which are paid in exchange for verification of savings on C&I projects will remain at \$1,000 for 2006.¹⁶

Pascoag has proposed a budget of \$11,000 in administrative costs, based on 2005 expenditures. Additionally, Pascoag has proposed \$14,000, for a Customer Promotion Program. This represents almost a 100 percent increase from 2005, but because Pascoag has eliminated the Energy Expo program, the funding for customer promotion has not increased. Pascoag indicates that this increase is necessary in order to allow Pascoag to expand the promotion of its DSM programs to customers. The Company proposes contracting with Soleil Communications to design three mailings to customers, each targeted to season-appropriate programs. Pascoag opines that the challenges it faces in administering the DSM programs are not related to the quality of the programs, but rather, despite Pascoag's efforts, are related to lack of customer information. This, according to Pascoag, is because staff members work on DSM programs in addition to their other duties. Therefore, according to Pascoag, this turnkey service, provided by Pascoag, will allow the Company to educate customers through direct mailings.¹⁷

Pascoag has taken an active role in outreach to the community. It proposes a line item of \$7,500, up from \$7,000 in 2005, for continued outreach to include a multitude of opportunities to promote DSM activities at the Burrillville schools, during Public Power Week, and at local civic organizations. This line item includes staff time and materials.¹⁸

¹⁴ Pascoag Exhibit 3, p. 2.

¹⁵ Id. at 11.

¹⁶ Id. at 13.

¹⁷ Id. at 11-13; Demand Side Management Budget – 2006, Including Changes Incorporated from the 11/30/05 Technical Session.

¹⁸ Id. at 14-15.

Pascoag proposed a line item in the budget in the amount of \$8,000 to cover Burrillville High School Projects. Pascoag described the projects conducted in previous years. At the Technical Session held in this matter, Pascoag explained that because there was such high demand for the “Do-It-Yourself Home Energy Kits,” developed by the students, Pascoag created a waiting list and will have more produced in 2006. Additionally, the students will work on the creation of a video, web site tips, and printed material to encourage energy conservation. Ms. Allaire noted that there had been a request for funds for the school to purchase software updates for software purchased in prior years.¹⁹

III. Division’s Position

On November 30, 2004, Mr. David R. Stearns, a fiscal analyst for the Division of Public Utilities and Carriers (“Division”), filed a Memorandum with the Commission recommending the Commission approve Pascoag’s 2006 DSM budget as filed.²⁰

IV. Technical Record Session

On November 30, 2005, the Commission conducted a Technical Record Session during which Pascoag presented its programs and budget proposals.²¹ During the Technical Session, Pascoag provided updates to the programs and budgets to reflect updated information. Following the Technical Session, Pascoag made a compliance filing to reflect further changes, as discussed previously, which resulted from discussions between the Commission, the Division and the Company.

¹⁹ Pascoag Exhibit 3, p. 4.

²⁰ Division Ex. 1, Division’s Memorandum 11/29/05.

²¹ Tr. 11/30/05.

V. Commission Findings

The Commission recognizes Pascoag's continued diligence in adjusting its programs and approach to providing DSM programs in order to provide the services in an efficient manner. The 2006 filing contains new ideas and adjustments to continuing programs that will hopefully prove to spark new and continued ratepayer interest.

The Commission approves Pascoag's filing of its 2006 Demand Side Management programs and associated budget as filed on October 7, 2005 and updated on December 1, 2005, finding them to be in the best interests of Pascoag's ratepayers.

Accordingly, it is hereby

(18507) ORDERED

1. Pascoag Utility District's 2006 Demand Side Management Programs and associated budget are approved.
2. A 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.
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 2007 DSM Filing no later than October 15, 2006.

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

EFFECTIVE AT WARWICK, RHODE ISLAND PURSUSANT TO A BENCH DECISION ON NOVEMBER 30, 2005. WRITTEN DECISION ISSUED JANUARY 23, 2006.

PUBLIC UTILITIES COMMISSION

Elia Germani, Chairman

Robert B. Holbrook, Commissioner

Mary E. Bray, Commissioner