

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: PASCOAG UTILITY DISTRICT :
DEMAND SIDE MANAGEMENT PROGRAMS : DOCKET NO. 3474
FOR 2004 :

REPORT AND ORDER

I. Introduction

On October 7, 2003, the Pascoag Utility District (“Pascoag”) filed its Demand Side Management (“DSM”) Programs for 2004 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 \$149,500, all of which would be generated through the surplus remaining from Pascoag’s 2003 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

Pascoag indicated that its overall goals for 2004 are customer education and outreach, with the ultimate goal of making the programs more “user friendly”. According to Ms. Judith R. Allaire, Pascoag has proposed continuation of successful programs from 2003 and to eliminate programs that have shown a low customer

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.

response. Finally, Pascoag has proposed new programs as well as changes to some of its programs to increase effectiveness and reduce risk to the utility and its customers.³

A. Residential Programs

Pascoag has proposed continuation of the following 2003 programs, some with modifications: Residential Conservation Service, Electric Heat Conversion, Refrigerator Buy-Back, Community Projects, Home Energy Audits, Energy Efficient Heating System/Burner Replacement, Customer Newsletters, and Energy Homes/Energy Star Appliances. Pascoag proposes the following new programs for 2004: Energy Star Lighting/Thermostats, and an Energy Expo. Pascoag has recommended discontinuing the Low Income Weatherization program due to customer dissatisfaction and the Catalog Incentives due a lack of participation.⁴

Pascoag's Residential Conservation Service is comprised of several programs conducted through Pascoag's partnership with Energy New England ("ENE"). This partnership began in 2002 when Pascoag sought to enter into a partnership and become a member of an Advisory Group with other municipalities in order to better develop and manage DSM programs. Together with ENE, Pascoag provides a toll-free energy hot line, energy referrals, conservation materials, assistance on rebates, and community and school outreach. This is considered a Tier I service. The budget for this partnership has been \$4,200 annually. However, this year, Pascoag sought prices for residential home energy audits from RISE and ENE. The RISE proposal for home energy audits initially came in lower than ENE's, but ENE proposed reducing the charge for its Tier I support services to \$1,200 annually and to continue charging the current rate per home energy

³ Pascoag's DSM Filing, Executive Summary, pp. 1-3.

⁴ Pascoag's DSM Filing, Program Summary, pp. 1-8.

audit to Pascoag, thus meeting Pascoag's needs at a reduced cost from prior years. Another important factor in Pascoag's decision was the high customer satisfaction with the quality of ENE's home energy audits.⁵

Despite a low interest in Home Energy Audits Program in 2002, Pascoag continued the program with a reduced budget in 2003, hoping for increased participation of up to 20 audits for the year. Pascoag was successful in increasing participation to 40 audits, but is concerned with the lack of customer follow-through with audit recommendations. Therefore, Pascoag has proposed limiting the number of audits to 20 (20 audits at \$150 per audit is \$3,000), but increasing the line item from \$3,000 to \$7,000 in order to use \$4,000 to assist customers in implementing the recommendations. The assistance would come in the form of product rebates in an amount not to exceed 10% or \$200 of the measures recommended during the audit.⁶

In 2002, Pascoag began providing incentives to customers to convert from electric heat to oil. The program has generated considerable interest and Pascoag proposes continuing the \$2,000 rebate per conversion for up to five participants. The average actual cost for conversion has been \$15,000. In addition to the incentive, Pascoag proposes continuing to offer an interest free loan of up to five years, or as long as the customer remains current with the repayments. However, Pascoag has made two changes to this program in order to assist participants and to protect itself and its customers from defaulting participants. In the past, Pascoag has offered an 18 month loan to participants. However, Pascoag is in the process of working with Fleet Bank to obtain customer financing of up to five years. Under the terms of the agreement, the customer will be

⁵ Id. at 1-2.

⁶ Id. at 5.

responsible for the principal payments and Pascoag will pay the interest, up to 5.5% per annum, provided the loan payments are made on time. In the event of a default on the Fleet loan, Pascoag will no longer be responsible for the interest payments. Pascoag indicated that the monthly principal payment on the 18 month loan has been \$722, whereas, the principal payment will be reduced to \$216, a more manageable amount for families. Pascoag's total budget for this program is \$17,500. This amount includes the rebate, an ENE audit and site visits throughout the conversion, and monitoring of energy savings.⁷

Pascoag has proposed to once again, attempt to offer a refrigerator buy-back program and issue a \$50 bill credit to customers who have a second, inefficient refrigerator running at their home. Pascoag received approval for the program last year, but faced difficulties in implementation due to a bankruptcy petition filed by the Town of Burrillville's waste provider. Under the program, once a customer expresses interest in having his or her refrigerator removed, a line meter will be installed on the refrigerator and a twelve-month billing history will be reviewed to determine that the refrigerator is actually in use. The customer will then be responsible for removing the door of the refrigerator, for moving it to the curb and for calling a toll free number for refrigerator removal. The customer will then receive a \$50 bill credit. Pascoag will continue to monitor the customer's usage to ensure continued energy savings. The proposed line item of \$2,000 will allow for participation of up to 16 customers.⁸

Pascoag has taken an active role in outreach to the community. It proposes a line item of \$6,000 for continued outreach to include Career Day at the Burrillville High

⁷ Id. at 2-3.

School and Middle School, and Public Power Week with the Elementary School. This line item includes staff time and materials, including, among other items, Energy Saving Coloring books for the younger children, and reflective light plate covers.⁹ As part of its continued outreach effort, Pascoag requests approval of \$10,000 for three customer newsletters.¹⁰

In 2003, Pascoag introduced the Energy Efficient Heating System/Burner Program. This program generated significant customer interest, with six customers participating. In most cases, the cost of replacing an old furnace with an EnergyStar rated one was \$3,500. Therefore, Pascoag has proposed continuing the 10% rebate, not to exceed \$350 (\$100 more than in 2003), to customers replacing old heating systems with energy efficient equipment. Pascoag's proposed line item of \$5,500 will allow for participation by fifteen customers.¹¹

In 2003, Pascoag found the EnergyStar appliance program to again be one of its best performing, with over 60 customers participating. Therefore, Pascoag has proposed continuing the program, but with some modifications. Rather than offering a fixed \$50 rebate on all appliances, Pascoag has recommended increasing the rebates on refrigerators and washers to \$100 and continue to offer a \$50 rebate for air conditioners and dishwashers. Pascoag has also recommended commencing a \$50 rebate on dehumidifiers. Pascoag proposes a line item of \$7,000 to fund two EnergyStar homes at a maximum level of \$1,000 each and up to 70 appliance rebates.¹²

⁸ Id. at 3-4. The line item will include the time for a meter technician to install and remove the line meter and for the administrative costs associated with monitoring the customers' usage.

⁹ Id. at 4.

¹⁰ Id. at 5-6.

¹¹ Id. at 5.

¹² Id. at 6.

Pascoag's first new program, the EnergyStar Lighting/Thermostat Program, will be a 50% instant rebate in the form of a bill credit for qualifying lighting and EnergyStar programmable thermostats. Under this program, once the customer purchases the item, he or she may go to Pascoag for application of the rebate. The line item for this program is \$7,000, designed to provide rebates on 100 thermostats and 1,000 bulbs and/or light fixtures.¹³

Pascoag's second new program, an Energy Expo, is based on Narragansett Electric's customer forums that were held in 2003. Pascoag will invite customers to a Saturday afternoon event to show off the energy conservation programs. Pascoag will invite ENE and RISE to attend and is working with vendors to see if there is any interest in setting up booths. Again, this is another opportunity for Pascoag to reach out to its community. The line item for this program is \$7,500, including staff time, conservation materials and refreshments.¹⁴

Two of Pascoag's programs did not produce the desired results. Accordingly, Pascoag has proposed discontinuing them. The first is the energy efficient product catalog incentives. No customers responded in 2003. The second is the Low Income Weatherization Program. While there was customer participation in the program, customers were not satisfied with their free weatherization products. Pascoag has indicated a commitment to working with its low income customers to create a program that will be valuable and satisfactory.¹⁵

¹³ Id. at 7.

¹⁴ Id. at 7-8.

¹⁵ Id. at 6,8.

Commercial and Industrial Programs

Pascoag is proposing \$41,500 to be allocated to commercial and industrial (“C&I”) programs: \$18,000 for Lighting at the Overlook Nursing Home, \$7,000 for lighting at the Father Holland School, \$15,000 for pending projects. Pending projects are those for which Pascoag has no commitment from a customer, but sees an opportunity for participation as long as the money will be available. For example, Pascoag is aware that a new Dunkin Donuts is scheduled to be constructed in 2004 and believes there may be an opportunity for a lighting project there. Finally, Pascoag proposes an outreach program consisting of a “pilot” newsletter addressing C&I issues, similar to the residential newsletter that is already published.¹⁶

B. Education

In order to continue its relationship with the Burrillville High School, Pascoag has proposed a budget of \$13,000 for educational projects, broken down into two main projects: (1) seminars at Burrillville High School and (2) the development of future conservation programs with the technical students at the High School. ENE will run the seminars for a fee of \$3,000. Each seminar includes a morning and afternoon program with handouts and a period of time for questions and answers. The remaining \$10,000 will be the overhaul of Pascoag’s website and the creation of “do-it-yourself” home energy kits. The Burrillville High School students will work on both projects with much of the new equipment purchased with DSM dollars from previous DSM budgets.

¹⁶ Id. at 8. National Grid’s consultant fee to provide verification of savings on commercial and industrial projects will remain constant at \$1,000 in 2004.

C. Miscellaneous

Pascoag has requested approval of a \$7,500 line item that it can apply to programs that prove to be more successful than expected and it has requested \$10,000 in administrative costs, based on 2003 expenditures. Additionally, Pascoag has requested \$6,800 for a Customer Promotion Program, namely, to advertise in the Bargain Buyer and through inserts and to run an energy conservation contest. Finally, Pascoag requested the ability to transfer up to 10% of its total budget from less successful programs to more successful programs with Division approval. Anything over 10% would require Commission approval.

III. Division's Position

On November 20, 2003, 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 2004 DSM budget as filed.¹⁷

V. Commission Findings

The Commission commends Pascoag on its continued hard work in adapting its programs to the changing needs of its ratepayers and for adopting new programs in response to input from ratepayers and outside resources. Pascoag's efforts in promoting DSM programs and in working hard to fully set forth its plans in its filings with the small staff available evidence Pascoag's strong commitment to the regulatory process and to its customers.

The 2004 filing contains several creative projects and tweaks to continuing programs that will hopefully prove to spark new and continued ratepayer interest.

¹⁷ Division's Memorandum 11/20/03.

Pascoag has continued to keep the Commission's concerns regarding sufficient education and outreach in mind when developing and revising its programs.

The Commission approves Pascoag's filing of its 2004 Demand Side Management programs and associated budget, finding them to be in the best interests of Pascoag's ratepayers.

Accordingly, it is hereby

(17642) ORDERED

1. Pascoag Utility District's 2004 Demand Side Management Programs and associated budget filed on October 7, 2003 are approved.
2. A Conservation and Load Management Adjustment 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.¹⁸
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 2005 DSM Filing no later than October 15, 2004.
5. Pascoag shall comply with all other findings and instructions as contained in this Report and Order.

¹⁸ Responsibility for administering renewable energy programs was transferred to the Rhode Island State Energy Office effective January 1, 2003, pursuant to amendments to the URA enacted in June 2002. See R.I.G.L. § 39-2-1.2(b).

EFFECTIVE AT WARWICK, RHODE ISLAND PURSUSANT TO AN OPEN
MEETING DECISION ON DECEMBER 4, 2003. WRITTEN DECISION ISSUED
DECEMBER 22, 2003.

PUBLIC UTILITIES COMMISSION

Elia Germani, Chairman

Kate F. Racine, Commissioner

Robert B. Holbrook, Commissioner