VERMONT ENERGY INVESTMENT CORPORATION

August 15, 2013

Ms. Susan Hudson, Clerk
Vermont Public Service Board
112 State Street
Montpelier, VT 05620-2701

Re: **EEU 2013-01 2013-2014 Demand Resources Plan Proceeding**

Dear Ms. Hudson:

Pursuant to the August 1, 2013 Vermont Public Service Board (Board) Order regarding the Schedule and Request for Proposed Electric Budget and Savings Scenarios, Vermont Energy Investment Corporation (VEIC) submits this filing of proposed electric three- and twenty- year scenario modeling recommendations. In addition, VEIC and the Department of Public Service (DPS) have worked together to develop recommendations for the framework for Electric Efficiency and Thermal Energy Process Fuel (TEPF) Performance Indicators (PIs) as well as values for available modeling input assumptions. These recommendations are included in an August 15, 2013 Department filing.

The Vermont Demand Resources Plan (DRP) identifies short- and long-term budgets and savings goals for the State's energy efficiency utilities, as well as other compensation matters related to the delivery of energy efficiency services. The first DRP was developed during a proceeding by the Vermont Public Service Board in 2010 and 2011, through an open workshop process Board Order EEU-2010-06 entered September 9, 2010.

The second Long-Term Demand Resources Plan Proceeding follows a similar process for the term of 2013 to 2014, through proceeding EEU-2013-01 (2013-2014 Demand Resources Plan Proceeding). The proceeding is pursuant to 30 V.S.A. § 209(d) and (e). Using a 20-year framework, the DRP establishes savings goals and budgets demand-side electricity and TEPF for both resource acquisition and non-resource acquisition, by calendar year. In addition, the DRP establishes year-by-year savings goals across a 10-year period for thermal energy and process fuels, by calendar year.

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PROCEDURAL HISTORY

On June 14, 2013, the Department of Public Service ("DPS") filed, on behalf of itself, Vermont Energy Investment Corporation ("VEIC") and the City of Burlington Electric Department ("BED"), a proposed workshop agenda and a proposed timeline for this DRP proceeding.

On June 16, 2013, Board staff held a workshop at which participants discussed scheduling proposals in light of lessons learned from the last DRP proceeding (EEU-2010-06).

On July 3, 2013, the DPS filed, a proposed schedule and an illustrative timeline for this proceeding, along with a memorandum regarding assumptions for scenario modeling as a joint filing on behalf of on behalf of itself, VEIC, and BED.

On August 1, 2013 the Board issued an Order approving the proposed schedule and requesting proposed Electric Budget and Savings Scenarios.

PROPOSED ELECTRIC BUDGET AND SAVINGS SCENARIOS

The proposed language in the *Process & Administration of an EEU Order of Appointment*[1] states that the Board can Order an EEU to analyze up to 5 scenarios. These scenarios are used in the determination of the Demand Resource Plan (DRP) consisting of a 20 year forecast of annual costs and expected electrical energy and capacity savings. That DRP will be the basis for Efficiency Vermont's 2015 – 2017 performance period budgets and goals.

The DPS is currently engaged in the analysis and preparation of year 2015 - 2034 maximum achievable DRP that also will be available for review in the current DRPP. Other parties (DPS, VPIRG, AIV, BED, IBM, and others) may propose other possible scenarios for the Board's consideration. VEIC's proposal introduces two DRP scenarios for Board consideration. VEIC also looks forward to the introduction of scenarios from other stakeholders in this proceeding.

In response to the August 1, 2013 Board Order, VEIC recommends two potential electric efficiency scenarios. In addition to these two proposed scenarios, VEIC submits a third scenario proposal as Appendix A for future consideration.

VEIC Electric Scenario Proposals:

<u>Scenario #1</u>
Achieve an Annual 3% reduction in energy (MWh) sales by 2019 by increasing annual savings increments over the 2015 – 2019 time period and maintain a 3% annual reduction through 2034.

a. Historic Annual reduction 1.98% (2010), 1.82% (2011), 2.10% (2012).
b. Will likely require significant annual budget increase over current DRP.

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[1] July 3, 2013 filing by the Department of Public Service, "Proposed Revisions to the Process and Administration of an EEU," page 9.

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Summary: This scenario represents an aggressive electric efficiency investment scenario that aligns with the overall legislative directive to "realize all reasonably available, cost effective energy efficiency savings"[2] and goals of the State's 2011 Comprehensive Energy Plan.[3] It would place Vermont once again in the forefront of regional and national investors in electrical efficiency in terms of dollars per capita and percent reduction of sales.[4] Utility yield rates (cost per MWh) would likely increase compared to the current projected DRP yield rates due to the need for the EEU to pay a higher proportion of measure costs to attain higher penetration rates. Offsets to this increase in projected efficiency investment may be achieved due to the resulting reduction in Vermont's share of the Regional Network Service (RNS) Charge. That is, if Vermont can achieves a lower percent of the regions monthly average peak load, this DRP's higher costs may be partially offset by a potential reduction in Vermont's share of regional transmission costs.

Scenario #2

Extend the current 2012 – 2031 DRP through 2034

c. 25% increase in Resource Acquisition (RA) funding from 2012 – 2014 to 2015 - 2017 ($104,600,000 to $130,400,000).
d. 2018 – 2034 annual increase in funding = ~3.1%.

Summary: This extension of the current DRP entails a 2015 – 2017 performance period annual budgetary increase averaging just over 7%. The 2032 – 2034 annual budgets would increase at the same rate of the DRP average year in 2018 – 2034. Annual energy savings would be updated for recent energy savings yield projections as well as technology advances.

Scenario #3

In addition to the two scenarios recommended above, VEIC is offering for consideration a third "future" scenario (detailed in Appendix A). This scenario represents an approach to EEU planning and implementation that is consistent with the emerging future of the Vermont and New England energy sector. VEIC believes it is consistent with Vermont's energy policy as outlined in the State's 2011 Comprehensive Energy Plan and statutory policy guidance, for example, as established in 30 V.S.A. § 202a(2).

> To identify and evaluate on an ongoing basis, resources that will meet Vermont's energy service needs in accordance with the principles of least cost integrated planning; including efficiency, conservation and load management alternatives, wise use of renewable resources and environmentally sound energy supply.

The scenario has the potential to provide increasing value to ratepayers, the utility system, and society as it keeps pace with the changing regional energy sector.

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[2] Title 30 § 209 d (4).

[3] For example, see 2011 Comprehensive Energy Plan, Preface, page 7, paragraph 3. "Equally important to a green jobs economy is the effect that investments in efficiency can have on the economy in general."

[4] According to the ACEEE 2011 and 2012 Scorecards, VT and MA spent, per capita, respectively $54.62 and $45.53 in 2010, and $64.97 and $68.77 in 2011.

In recognition of current EEU roles and responsibilities, the potential need to develop new tools for the modeling that may be required under this scenario, and without restraining the current DRP schedule, VEIC offers this "future" scenario as a conceptual framework for a separate investigation. VEIC proposes that this investigation would also evaluate how the role of the EEUs might be amended to better align with current and developing technologies and opportunities in the Vermont and New England energy sector. This realignment is proposed to better serve Vermont ratepayers in contrast to the EEUs remaining constrained in the current structure that was designed to realize the opportunities of an earlier reality. Further basis for this proposal is provided in the Appendix A.

In order to maintain the proposed DRP schedule, VEIC recommends investigating the "Future" scenario after the conclusion of the EEU-2013-01 Demand Resources Plan ("DRP") scenario modeling in the spring of 2014. If the investigation finds evidence of potential additional available ratepayer benefits, VEIC recommends that the Board consider integrating the appropriate beneficial elements of this third scenario into the 2015 - 2034 DRP.

VEIC appreciates the opportunity to participate in this Demand Resource Planning Process and looks forward to the upcoming workshop on August 27th. Please feel free to contact me if you have any questions related to this filing.

Sincerely yours,

Director of Regulatory Affairs

cc: EEU Service List (electronic service only)

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