ASSOCIATED INDUSTRIES OF VERMONT
REPRESENTING THE VERMONT INDUSTRIAL AND BUSINESS COMMUNITY SINCE 1920

September 10, 2013

Susan Hudson
Clerk, Public Service Board
112 State Street, Drawer 20
Montpelier, VT 05602

RE: EEU-2013-01 2013-2014 Demand Resources Plan Proceeding

Dear Ms. Hudson:

The following are AIV's reply comments and related recommendations regarding Proposed Electric Budget and Savings Scenarios filed on August 15.

On balance, AIV finds the recommendations made by the Department of Public Service to be preferable to those made by Vermont Energy Investment Corporation. However, we would recommend adjusting the DPS Scenario 3 budget and savings targets to 3% rather than 3.5% to reduce the cost impacts of the most aggressive scenario. Moreover, the DPS proposal falls short on providing a sufficient range of scenarios to be modeled so as to properly inform subsequent discussions and determinations as this process moves forward, and should be amended accordingly.

Although AIV appreciates DPS including its first scenario of a level budget adjusted for inflation, we are disappointed that DPS did not include one or more scenarios with real reductions in the budget.

It is important to acknowledge and take into consideration the fact that the Energy Efficiency Charge that is required to support the Energy Efficiency Utility budget levels has represented a cost burden of significant concern to many commercial and industrial customers for several years. Efficiency savings do not necessarily offset this cost burden or make up for lost opportunity costs related to alternative uses of resources diverted to the EEC. Given that Vermont remains one of the most expensive states in which to do business, especially for manufacturers, and that Vermont's commercial and industrial electric rates remain significantly higher than national averages, avoiding excessive and unnecessary EEC levels is critical to the health of the state's economy, the stability of high-paying jobs, and the wages and benefits working Vermonters and their families depend upon.

Avoiding excessive and unnecessary EEC levels is therefore a critical factor in determining the "reasonableness" of EEU budgets. The Public Service Board is charged with setting EEU budgets with a resulting EEC that achieve "all reasonably available, cost effective energy efficiency savings".[1] There are four primary objectives that the Board is supposed to balance in setting the EEC: reducing the size of future power purchases, reducing the generation of greenhouse gases, limiting the need to upgrade the state's transmission and distribution infrastructure, and, of great importance to the welfare of commercial and industrial customers, minimizing the costs of electricity.

Concerns about the EEC can be addressed through further development of alternative funding mechanisms, such as financing options and tax policies, as well as programs like the Self-Managed Energy

[1] 30 VSA 209(d)(4).

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Efficiency Program and Self-Administered Energy Efficiency Program. AIV strongly recommends that advancing these approaches be thoroughly explored and developed as this process moves forward.

However, EEC concerns can also be effectively addressed by reducing EEU budget levels. AIV is concerned that failure to take the cost of the EEC and options for reducing EEU budget levels into consideration when determining the "reasonableness" of EEU budgets for the coming years would be perceived as a failure to acknowledge and respect very real concerns among commercial and industrial customers.

AIV would therefore recommend that the DPS proposal be approved with amendment as noted above and also with the addition of two other scenarios. There are of course many possible budget reduction scenarios. AIV believes that the following are two reasonable suggestions for the scoping purposes of this stage of the process:

- The first would be a variation on the DPS Scenario 1 that would extend the 2015 resource acquisition budgets through 2034 but without adjusting for inflation.

- The second would, beginning with 2015, step down the budgets annually to the final approved levels from 2014 progressively each preceding year back to 2009, adjusted for inflation. The budget would be frozen, but still adjusted for inflation annually, once the 2009 level is reached in 2020.

The first addition represents a simple and modest path toward restraining EEU budgets and easing EEC burdens. The second would gradually return budgets levels back along their historical path to a point where many commercial and industrial ratepayer concerns began to become particularly acute.

Making these recommended changes to the DPS proposal would help inform the discussion and debate regarding the ultimate EEU budget order in a way that would be more inclusive and respectful of the range of stakeholder concerns, particularly those of commercial and industrial ratepayers, without prejudicing the final decision by unduly limiting the scope of scenarios at the outset.

We very much appreciate the Board's consideration of these comments and recommendations.

Sincerely,

/s/

William Driscoll
Vice President

cc: Service List via email