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September 10, 2013

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

Re: *2013 Demand Resources Plan Proceeding*

Dear Mrs. Hudson:

In accordance with the Vermont Public Service Board's August 1, 2013 Order in the above captioned workshop, the Vermont Electric Power Company, Inc. ("VELCO") provides these comments with respect to the proposed Quantifiable Performance Indicators ("QPIs") for the Demand Resources Plan. The Board should consider including a QPI aimed at verifiable, sustained reductions in Vermont's *average monthly coincident peak* for each month of a June-May year, as this has the likely potential of reducing Vermont's share of the region's electric transmission charges (the Regional Network Service or "RNS" charge).

Vermont's monthly RNS charge is the product of Vermont's *previous month's coincident peak*¹ (a variable) times the RNS rate.² The 2013-14 RNS rate is \$85.31/kW-year or \$7.11/kW-month. Consequently, every one (1) kW reduction in Vermont's monthly coincident peak saves ratepayers \$7.11 or, stated another way, a 1 MW reduction in monthly coincident peak would save roughly \$7,110.³ These savings would carry over from month to month. If, as expected, RNS rates increase annually over the next five years, the savings would increase at a commensurate level. All other things being equal and constant, if Vermont reduced each monthly peak by 1% per year over the next five years (i.e., in year 5 we have reduced the monthly peak by 5%) the total savings would be greater than \$13 million. These savings assume that the rest of New England's coincident peaks are relatively level. VELCO would welcome the opportunity to discuss these potential RNS charge savings in more detail with the Board and the workshop participants.

¹ Vermont's monthly coincident peak is the hourly load at the time of the Vermont's transmission network system's peak load.

² The RNS rate is a pre-determined/fixed \$/kW-year figure that is based on all of the New England transmission owners' revenue requirements and last year's system peak. The primary component of the RNS is the revenue requirement necessary to support reliability-based electric transmission infrastructure projects.

³ This same one (1) kW reduction would also save approximately \$1.30/kW of energy charges.



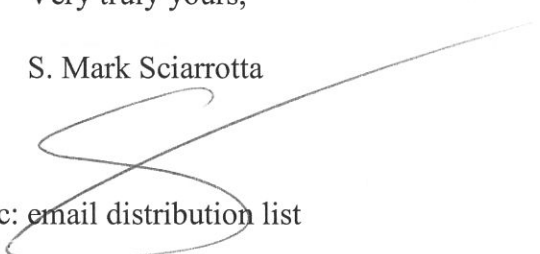
These numbers suggest that there is merit in considering the inclusion of a monthly coincident peak reduction across a twelve month period. This QPI would need to be designed in a way that established an agreed-upon baseline from which to measure any achieved coincident peak reductions.

Other participants have suggested that adding a Winter Peak Demand Savings QPI might reduce costs associated with the RNS charge. As explained above, since the RNS charge is determined using monthly coincident peaks, a reduction in winter and/or summer peaks alone will not directly reduce Vermont's RNS charges. However, for the other reasons suggested by the same participants, VELCO, in addition to urging consideration of a monthly coincident peak QPI, supports adding a Winter Peak Demand Savings QPI.

Thank you for the opportunity to submit these comments.

Very truly yours,

S. Mark Sciarrotta



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