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September 18, 2013

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

Re: EEU- 2013-01 Demand Resource Plan Proceeding - Department of Public Service Reply Comments on Modeling Scenarios and Quantifiable Performance Indicator Frameworks

Dear Mrs. Hudson:

The Department offers the following reply to the comments provided in this proceeding by Associated Industries of Vermont ("AIV") and Vermont Electric Power Company, Inc. ("VELCO") on September 10, 2013. AIV recommended modeling two scenarios that ramp-down energy efficiency budgets. VELCO suggested a new Quantifiable Performance Indicator ("QPI") relating to Average Monthly Coincident Peak.

AIV'S ALTERNATIVE SCENARIOS PROPOSAL

AIV recommends that the following additional electric energy efficiency scenarios be modeled:

1. *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.*

2. *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.*

Both of AIV's recommended scenarios represent reductions in electric energy efficiency budgets. We note that AIV's Scenario 1 and DPS Scenario 1 are quite similar, thus modeling both scenarios is unlikely to yield significantly different results. In order to utilize scenario modeling resources efficiently the Department recommends the Public Service Board ("Board") choose to model only one of these scenarios. We also offer the following observations related to the efficacy of modeling either of AIV's reduced energy efficiency budget scenarios:

1. A reduction in energy efficiency budgets is incompatible with the legislative intent embodied in the language of 30 V.S.A. § 209. The statutory criteria set forth in 30

V.S.A. § 209 requires the Board to establish by rule or order a volumetric charge for the support of [electric] energy efficiency programs and adjust the charge as necessary in order to realize *all reasonably available, cost-effective energy efficiency savings*. Given the anticipated inclusion of some new technologies in scenario modeling for this Demand Resource Plan ("DRP") proceeding and a generally level load forecast assuming current efficiency levels, the Department expects the statutory objective of realizing all reasonably available, cost effective energy efficiency savings will not be met by reductions in budgets.

AIV's proposed scenarios are not designed to not achieve a result that is consistent with the Board's determination establishing three and 20-year electric energy efficiency budgets in the last DRP proceeding, EEU-2010-06. Notably, the rate-and-bill impact analysis that supported the final three and 20-year electric energy efficiency budgets ordered by the Board in that proceeding equated to annual incremental budget *increases* ranging between 2.3% and 7.3%. The Board's approval of these budgets, as well as their resulting rate impacts, includes an inference that the Board found them to be *reasonable*. Absent a suggestion or a showing that circumstances have changed drastically since the Board's issuance of the final budget order in EEU 2010-06 on 8/1/2011 we believe the notion of dramatic budget reductions, such as that proposed in AIV's Scenario 2, has implicitly been rejected by these prior Board actions.

2. 30 V.S.A. § 209 (e) (7) also calls for the Board to provide a reasonably stable multiyear budget. This is important for two reasons. First, stable multiyear budgets avoid major disruption to program implementation which may impact all customers receiving services. This may have a substantial impact on those receiving *custom services*. Such customers may need significant lead-time to secure project capital and, for example, if an EEU incentive offer changes dramatically during this time some projects may no longer be viable. Second, the long term EEU budgets are approved by the Board for bidding into the Forward Capacity Market (FCM). In part, FCM revenues fund Vermont's thermal efficiency efforts for unregulated fuels. Declining budgets could adversely affect an EEU's ability to meet its FCM commitments and also lead to a reduction in thermal efficiency budgets. For these reasons and others, abrupt downward changes in budget should be avoided.

3. Finally, active reductions in energy efficiency are not necessarily consistent with State Energy Policy and the objectives set forth in the Comprehensive Energy Plan ("Plan"). For example, energy efficiency has been rigorously evaluated and proven to be a least cost resource for meeting demand. With investments in energy efficiency come a variety

of benefits[1]. The Plan outlines "energy efficiency and conservation as the first priority"[2] in the context of making progress toward a goal of attaining "90% of our energy needs from renewable sources by 2050"[3]. In addition, the Plan notes that Vermont has "chosen a comprehensive approach, requiring action in all sectors regarding all energy sources"[4] which includes first priority consideration of energy efficiency as a resource.

We respectfully request the Board to consider these comments when making the final scenario modeling decision.

VELCO'S ADDITIONAL QPI PROPOSAL

VELCO filed comments suggesting that a new QPI be considered to achieve reductions in average monthly coincident peak and provided the following rationale:

> *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).*

The Department, after an initial meeting with VECLO, Vermont Energy Investment Corporation ("VEIC") and the City of Burlington Electric Department ("BED"), believes the concept of a QPI to lower "monthly peaks" may have tangible benefits to ratepayers. This assumes a metric aimed at lowering monthly peaks is calculable. However, at this time, the Department does not possess enough information to make a recommendation on whether the Board should adopt this metric as a QPI. The Department suggests however, that the concept be explored further in order to assess and document: 1) How this metric may change the otherwise anticipated measure mix for the next three and 20-year forecasts; 2) The possible short and long term methods for calculating and implementing such a metric; and 3) the effect of this metrics' potential interaction with other performance indicators. Further, the Department recommends the Board order VEIC and BED to file status updates on this topic prior on or before December 13, 2013 or other date as determined by the Board. The Department notes that the concept of this QPI may also be an appropriate topic for discussion at the Board workshop on scenario modeling results currently anticipated to occur on December 19, 2013 according to the Board's 8/1/2013 Scheduling Order in this proceeding.

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[1] 2011 Vermont Comprehensive Energy Plan Volume 2, Section 4.4, Impact of Electric Efficiency Investments on page 53 citing benefits including but not limited to deferring or avoiding local or regional distribution or transmission projects, reducing Vermont's Regional Network Service Charge, reducing the overall cost of purchased electricity, generating Vermont jobs, reducing the carbon emissions from electricity generation and reducing electric bills from customers that participate in efficiency programs.

[2] 2011 Vermont Comprehensive Energy Plan Volume 1, page 5, *"Use Less and Save More: Efficiency and Conservation First"*.

[3] 2011 Vermont Comprehensive Energy Plan Volume 1, page 3, *"The Vision for Vermont's Energy Future"*.

[4] 2011 Vermont Comprehensive Energy Plan Volume 1, page 3, *"The Vision for Vermont's Energy Future"*.

For the Department of Public Service

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cc: EEU 2013-01 E-Service List