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October 15, 2013

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

Re: **EEU 2013-01** Demand Resources Plan Proceeding Thermal Energy Process Fuels Modeling Input Assumptions

Dear Ms. Hudson:

As part of the second Demand Resources Plan (DRP) Proceeding, the Public Service Board ("Board") issued an order regarding *Schedule and Request for Proposed Electric Budget and Savings Scenarios* on August 1, 2013. In a departure from the last Demand Resources Plan Proceeding, the Board chose to provide stakeholders and workshop participants with an opportunity to address policy assumptions and modeling inputs that will be required when modeling Thermal Energy Process Fuels (TEPF) savings for this DRP Proceeding.

In this same order, the Board directed that filings to address policy assumptions and how potentially conflicting policy assumptions should be weighed against each other as well as to propose numerical values for any of the policy assumptions and modeling inputs would be due by October 15, 2013. VEIC presents the following policy assumptions for Thermal Energy Process Fuels for the 2013-2014 Demand Resources Plan Proceeding. Burlington Electric Department (BED) supplied VEIC with comments on the assumptions and their comments are included in the filing. BED stated that they support the use of the proposed assumptions. VEIC also worked closely with the Department of Public Service to prepare this filing.

1. Separate TEPF budgets will be determined for Burlington Electric Department and Efficiency Vermont based upon their respected estimated Forward Capacity Market income and reasonable allocations of estimated net RGGI income.

Through the on-going DRP process, BED will work with the DPS to further define the TEPF market potential in its service territory and align annual budgets to the market.

2. TEPF funding sources are the net revenues from the FCM and RGGI. No new revenue sources will be forecast.

3. The resource acquisition sector split ratio is based upon the approximate ratio of consumed thermal and process fuels in Vermont. That split for VEIC is 70% Residential to 30% C&I. For the 2012 – 2014 DRP, VEIC used a budget ratio of 75% Residential to 25% C&I. Current data[1] suggests that the ratio may be closer to 65% to 35%. However, VEIC believes that the underlying data may be subject to differences in interpretation and may contain reporting errors. Thus, VEIC recommends the 70% to 30% split to reflect a more moderate spending adjustment. For BED, about 95% of commercial buildings use natural gas for space heating so BED's recommended sector split is 95% Residential and 5% C&I. This is the same sector split currently being used for BED's 2012-2014 performance period.

4. The percent of total TEPF Residential Resource Acquisition budget dedicated to low-income efficiency services will be the same percent as used in the 2012 – 2021 TEPF DRP or 17% of total RA spending. Because of the proposed adjusted sector split, this will result in a higher ratio of low-income spending relative to total residential sector spending. For BED, the best current information shows that over 95% of low-income households use natural gas for space heating and domestic hot water so BED proposes no low-income percentage. Therefore the low-income TEPF market in Burlington Electric Department territory is extremely small and not large enough to model. BED's 2012-2014 TEPF Quantitative Performance Indicators do not include a low-income target and the parties in this filing do not propose one for this DRP.

5. TEPF initiatives will satisfy the statutory requirement to offer measures addressing high efficiency biomass heating systems[2].

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[1] See Attachment A to this filing.
[2] VSA 209 5.(e) (1) (A)

6. The 2012 – 2021 DRP approved annual efficiency utility specific Non-Resource Acquisition budgets for years 2015 - 2021 will be deducted from the annual estimated 2015 – 2024 efficiency utility specific TEPF total budgets to produce an estimated Resource Acquisition annual budget. For the three years (2022 – 2024) beyond the scope of the initial DRP, inflation adjusted budgets will be developed with year 2021 as the base year.

7. TEPF measures will be considered for program implementation within the 3 and 10 year forecast period that are expected to be cost effective and produce a net reduction in total thermal and/or process energy consumption.

VEIC and BED appreciate the opportunity to propose thermal energy process fuels assumptions and look forward to discussing them in detail at the upcoming workshop on this topic. Please feel free to contact me if you have any questions regarding this filing.

Sincerely yours,

Michael J. Wickenden

Michael Wickenden
Director of Regulatory Affairs

cc: 2013-01 Service List (electronic service only)