VERMONT

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December 6, 2013

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

Re: EEU 2013-01 Department of Public Service Comments on Monthly Coincident Peak and Comprehensiveness QPIs

Dear Mrs. Hudson:

In a letter filed in this proceeding on September 10, 2013, Vermont Electric Power Company, (VELCO) suggested that the Board and participants consider including a Monthly Coincident Peak Quantifiable Performance Indicator (QPI) in the 2015-2017 Demand Resource Plan. The Public Service Board ('Board"), in an Order dated September 30, 2013, requested participants to file comments by December 6, 2013 on this proposal and in that same order asked for recommendations on the need for a business comprehensiveness QPI.

Monthly Coincident Peak QPI

The Department has analyzed the Monthly Coincident Peak QPI concept with VEIC, BED and VELCO. The Department supports the concept of a Monthly Coincident Peak QPI because it appears to have significant potential to deliver benefits to ratepayers in the form of reduced monthly Regional Network Service (RNS) charges associated with Vermont's transmission costs. Further, the Department supports further exploration of this topic because actively managing RNS charges by reducing monthly coincident peak has potential to mitigate expected RNS charge increases and keep customer electricity rates low. However, the Department understands that in order to implement a Monthly Coincident Peak QPI a considerable amount of additional work and analysis will need to be completed.

The Department's involvement in the initial analysis and discussions related to implementing a Monthly Coincident Peak QPI with VEIC, BED and VELCO has been informative. The Department understands the scope of work required to accurately assess implementation feasibility is significant in magnitude and not possible within the timeframe of the 2013-14 Demand Resource Plan (DRP). However, the Department recommends that continued feasibility analysis be a focus and requirement for EEUs during the 2015-2017 performance period. Adopting a 2015-2017 performance metric to assess feasibility of the Monthly Coincident Peak QPI may be most appropriate[1]. However, it is worth noting that the Department has some concern that development of comprehensive "milestones" for the feasibility analysis may not be achievable within the timeframe of the 2013-14 DRP.

Additionally, the Department has considered such an analysis may be supported by VEIC's interest in exploring the concept of "Strategic Electrification" as identified in VEIC's August 15, 2013 filing in this proceeding, EEU-2013-01. Similarly, such an analysis may align with potential future changes to Forward Capacity Market requirements aimed at reducing monthly peak demand. These longer-term initiatives may necessitate an in depth analysis notwithstanding the near-term value of reducing RNS charges.

The Department has shared these comments with VELCO, VEIC and BED and is authorized to state that those parties support this approach. The Department has reviewed additional comments to be filed by BED on this proposed QPI and believes they provide additional helpful information on this complex issue.

Comprehensiveness QPI

In the Board's September 30, 2013 Order in EEU-2013-01 the Board also requested comments on the need for the Business Comprehensiveness QPI. The Department understands that improvements stimulated by discussions in the inaugural DRP have led to considerable improvements to VEIC's project database over the past year. The Department is reviewing a proposal from VEIC to establish a revised methodology for measuring the Business Comprehensiveness QPI that utilizes the system upgrade. At this time, the Department recommends including Business Comprehensiveness as a QPI for VEIC and BED in the 2015-2017 performance period. The Department will continue to work with VEIC and BED on acceptable methodologies and weighting for this metric.

The Department looks forward to discussion these and other topics at the December 19, 2013 workshop.

For the Department of Public Service

Brian Cotterill
Energy Program Specialist

Jeanne Elias

Jeanne Elias
Special Counsel

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

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[1] For example in the 2012-2014 EEU performance period the Board approved a QPI to assess and develop a metric for Administrative Efficiency. The QPI requires certain milestones and outcomes be reached within the 2012-2014 performance period. So far this approach has worked well from the Department's perspective.