April 16, 2014

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

RE: EEU 2013-01 Initial Budget Recommendations

Dear Ms. Hudson:

Of the three EEU budget scenarios modeled for this proceeding, AIV recommends Scenario I (level funding with adjustments for inflation) as the preferable of the three. Although AIV would recommend this scenario as the most appropriate of the three modeled, we would also support consideration of lower budget levels. AIV would also note the continued importance of developing alternative funding mechanisms to replace the Energy Efficiency Charge in whole or in part, and that such a change in financing could reduce the need for restraint in EEU budgeting.

The following are among the reasons AIV would prefer budgets based on Scenario I rather than the other two modeled, and would also support consideration of lower budget levels:

- The Energy Efficiency Charge necessary to support EEU budgets represents an increasing cause for concern for many commercial and industrial ratepayers. The EEC is a significant cost to these customers regardless of their potential for efficiency improvements and can readily exceed the monetary value of the support (financial, technical, or other) that they might actually receive from their EEU to help make efficiency improvements. As such, it represents both a significant direct cost and a significant lost cost in terms of other critical investments business customers are unable to make with those funds. Restraining the growth in the EEU budgets can help mitigate, if not relieve, these concerns.
- Even level funded with adjustments for inflation, this recommendation would still represent significant resources directed toward efficiency improvements.
- It worth noting that the EEUs have had difficulty spending the revenues raised for past budget levels, illustrated most dramatically by VEIC's experience with the 2013 budget. This spending shortfall raises serious questions about the prudence of increasing EEU budgets further.

Level funding with adjustments for inflation would best balance the various goals that the Board must consider in setting EEU budgets, particularly cost concerns for ratepayers, and would still provide for the realization of efficiency savings that are, on balance, reasonable and cost effective.

Finally, AIV would reiterate that, given the fact that the EEC is a significant factor in the need for restraining EEU budgets, developing alternative financing mechanisms remains a subject that the Board should explore with the Department of Public Service and other stakeholders to benefit ratepayers and potentially resolve a number of concerns with increasing EEU budgets.

Sincerely,

/s/

William Driscoll
Vice President

cc: Service List (via email)