

maintains that the evaluation of the EEU's geotargeting program performed to date confirms that this effort has resulted in the acquisition of cost-effective energy efficiency resources and that the pace of acquisition has been greater in the selected areas. In this way, the evaluation has served as a proof of concept for Vermont's geotargeting activities. Since the effort to utilize energy efficiency to help defer or avoid transmission or distribution infrastructure upgrades can take some time to be effective, Central Vermont believes that it is premature to consider changes to this program at this time and that continuing evaluation should be performed before any significant changes to the program are contemplated.

2. If the geotargeting program is to continue, what portion of the overall EEU budget should be directed to geotargeting programs?

Central Vermont is currently unable to indicate what portion of the EEU budget should be devoted towards geotargeted energy efficiency resource acquisition activities. The funding for such purposes is, in many respects, area specific. When it is determined what areas will be selected and what the potential for cost-effective energy efficiency is in such areas -- presumably with the assistance of Efficiency Vermont -- the portion of the EEU budget to be devoted for such purposes can be determined. CVPS recommends that this occur in a later phase of the DRP process.

3. If the geotargeting program were to continue under the existing EEU framework, should funding for the program come from area-specific Energy Efficiency Charge ("EEC") adders rather than through the statewide EEC collection?

Central Vermont recommends that funding for geotargeted EEU activities continue to come from the Energy Efficiency Fund and be paid for through Vermont's Energy Efficiency Charge. This system creates a stable multi-year budget for such purposes and is consistent with the objectives of 30 V.S.A. § 209. In order to better integrate the role of energy efficiency into

the provision of least-cost utility services, the Board established the EEU and recently restructured that system through its efforts in Docket No. 7466. In that process, the Board sought to remove barriers that have limited the effectiveness of the EEU. CVPS believes that including the cost for geotargeted services in the funds to be collected via the EEC is consistent with that policy and will make it easier for all utilities to collaborate with the EEU to better integrate energy efficiency into the resolution of supply problems and reliability deficiencies.

Since every distribution utility will likely face a supply problem or reliability deficiency at some point, this practice affords all utilities the opportunity to participate and to garner benefits for their customers. Moreover, to be implemented, a geotargeted energy efficiency measure must be cost-effective. Hence, the current system has not created the risk that the services provided by Efficiency Vermont are non-cost-effective.

To the extent that the Board is concerned that the current system needs revision, CVPS maintains that the EEC should nonetheless remain the preferred funding source for the delivery of geotargeted energy efficiency services. When the EEU was created following the proceedings in Docket No. 5980, utilities unbundled their delivery of energy efficiency services and removed the funding for such services from their revenue requirements. Accordingly, absent EEC funding, the capacity of the EEU to satisfy the legislative goal of Section 209(e)(7) could be put into doubt.¹

One method to address this concern would be to rely on utility-specific EEC adders, but this would entail a series of follow-on proceedings to establish such charges for each utility.

Another option proposed by some commentators is to assign portions of the Energy Efficiency Fund to each utility service area and then work with the affected distribution utilities to

¹ Section 209(e)(7) calls on the Board to “[p]rovide a reasonably stable multiyear budget and planning cycle in order to promote program improvement, program stability, enhanced access to capital and personnel, improved integration of program designs with the budgets of regulated companies providing energy services, and maturation of programs and delivery resources.”

determine what portion of these allocations should be used for geotargeted activities. This later proposal has intuitive appeal. In both cases, however, the EEU will be called upon to manage more complex budgets and quantitative performance targets, and the overall administration of the energy efficiency program will have added complexity.

If, after understanding the potential budget amounts to be devoted to geotargeted services, the Board believes it is appropriate to consider alternative funding approaches for geotargeted EEU services, CVPS recommends that an additional phase to the DPS process be used as the forum for the resolution of such concerns; although the Company continues to favor its primary recommendation of leaving the funding mechanism as is pending further review and evaluation of the EEU's overall geotargeting effort.

4. What is the appropriate process to be used in selecting areas to be geotargeted?

CVPS submits that the methodology for selecting areas where geotargeted energy efficiency activities can help to resolve supply or reliability deficiencies was established by the Board in Docket Nos. 6290 and 7081. The Orders issued in these matters charge the serving distribution utility with the responsibility to make the ultimate selection decisions. While CVPS accepts that there may be process improvements to consider in connection with these holdings, the Company continues to support the distribution utility's primary role in this decision process and does not recommend that this aspect of the geotargeting program be amended.

5. What are the pros and cons of having the Vermont System Planning Committee ("VSPC") identify areas to be geotargeted?

As the Board is aware, the Docket No. 7081 Memorandum of Understanding (the "Docket No. 7081 MOU") establishes the process for considering reliance on geotargeted energy efficiency to resolve transmission reliability issues. This includes a role for the VSPC with the

opportunity for input and involvement in the decision making process by the affected distribution utilities. In the context of distributed utility planning (“DUP”) for the resolution of distribution or subtransmission supply problems, the DUP guidelines prescribe the methods for considering the role of geotargeted energy efficiency. These guidelines, and the accompanying Memorandum of Understanding reached by and between the Docket No. 6290 parties, prescribe a role for the affected utilities but generally presume that it is the distribution utility that is responsible for applying the guidelines and determining the role that energy efficiency will play in the resolution of the subject supply problem.

At this time, CVPS does not oppose consideration of an enhanced role for the VSPC in the determination of geotargeted energy efficiency, but notes that a specific proposal for such engagement has yet to be proposed. To the extent that the Board desires that the VSPC play a larger role the Company recommends that the Board direct the parties to the Docket No. 7081 MOU to further consider that matter and make proposals for review by the Board.

6. Should energy efficiency solutions to transmission and distribution constraints be addressed solely through the VSPC process, including the potential use of area specific adders, rather than the existing geotargeting program?

Please see Central Vermont’s responses to questions 3 and 5 above.

7. The premise is that geotargeting benefits everyone, including those within targeted areas and statewide, business customers and residences. Is it possible to quantify the system benefits or added value of geotargeting in order to address perceptions of inequity?

Yes, it may be possible to quantify the system benefits or added value of geotargeted energy efficiency resource acquisition activities performed by the EEU. This could be accomplished through the use of area specific transmission and distribution (“T&D”) avoided

costs. However, past efforts to develop area specific T&D avoided costs have proved problematic and an accepted methodology for conducting this analysis remains elusive.

When Central Vermont worked to develop a solution to the supply problems affecting its Southern Loop subtransmission facility, it performed an extensive non-transmission alternatives analysis to determine if energy efficiency services should be pursued as an element of the solution to this pressing reliability deficiency. Copies of Central Vermont's studies, many of which were conducted by consultants to Efficiency Vermont, were offered into evidence in Docket No. 7373.² In preparation for the filing of a Petition under Section 248 in the Southern Loop matter, CVPS and the Vermont Electric Power Company ("VELCO") convened an extensive public engagement process. If any single message resonated from that effort, it was that targeted energy efficiency services should be a part of the solution to this reliability deficiency.

To the extent that the Board is interested in developing methods or practices to help to better quantify the benefits attributable to geotargeted energy efficiency, Central Vermont recommends that the Board convene a follow-on phase to develop benefit measurement practices. CVPS is prepared to collaborate with interested parties toward this end. The Company also suggests that other stakeholders including the EEU's and the Department of Public Service participate in this effort.

² Copies of this analysis may be viewed at VELCO's webpage at the following links:

<http://www.velco.com/PROJECTS/SOUTHERNLOOP/Pages/CPGFiling.aspx?RootFolder=%2fProjects%2fSouthernLoop%2fCPG%20Filing%2fVolume%202&FolderCTID=%26View=%7b716298CA%2d2073%2d413A%2dBD1A%2dDFA3DF61E9A9%7d>

<http://www.velco.com/PROJECTS/SOUTHERNLOOP/Pages/CPGFiling.aspx?RootFolder=%2fProjects%2fSouthernLoop%2fCPG%20Filing%2fVolume%208&FolderCTID=%26View=%7b716298CA%2d2073%2d413A%2dBD1A%2dDFA3DF61E9A9%7d>

Central Vermont very much appreciates the opportunity to offer comments on the Board's concerns.

DATED at BENSON, VERMONT this 18th day of March, 2011.

RESPECTFULLY SUBMITTED,

By: /s/

Morris L. Silver, Esquire
Attorney for Central Vermont Public
Service Corporation

Post Office Box 606
Benson, Vermont 05731-606
(802)537-2264
MLSILVER@SOVER.NET

cc: Electronic Service List