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VT PUBLIC SERVICE BOARD

July 3, 2017

Public Utility Commission  
112 State Street  
Montpelier, VT 05620-2701

To the Members of the Public Utility Commission:

Thank you for considering comments from the business community regarding the future of Vermont's energy efficiency utility. We have worked actively with Efficiency Vermont (EVT) for well over a decade and, as a long-term customer of Green Mountain Power, we have funded EVT from the start. Please accept our comments in the spirit of trying to chart a path forward that will be in the best interests of our state as well as Sugarbush.

Sugarbush Resort is a four season resort in the Mad River Valley, best known as a major northeastern skiing destination. We have approximately 150 full-time, year-round employees and up to 1,000 additional employees during the busy winter months. We have a special contract time-of-use rate with GMP. In our most recent fiscal year, total power payments were \$1.22 million and total usage was 10.7 million kWh. Approximately one third of our annual power usage is for snowmaking during the November through February months, with the remainder used for lift operations and various building requirements. Last fiscal year we paid \$65,229 in energy efficiency charges.

Electric power is a major cost in our business, our second greatest after payroll, and we have taken important steps to reduce our power usage and our cost. Over the past five years, we have upgraded our snowmaking system to run almost entirely on new low-energy guns that require a fraction of the compressed air of the older products and put out a superior product. Snowmaking upgrades alone have cut our power requirement for ski operations by over 20% annually. We have also partnered with a Waterbury solar-power developer to source our energy from renewable generators and take advantage of Vermont's net metering program. All our new buildings meet or exceed modern efficiency standards and we have made substantial efforts to bring our older buildings up to the same standard.

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We are always on the lookout for sound investments that reduce the environmental impact of doing business. In 2011, Sugarbush was one of the first signatories to the National Ski Areas Association's Climate Challenge, a voluntary program designed to assist ski areas committed to developing greenhouse gas inventories, setting goals for carbon reduction, implementing at least one on-site reduction strategy per year, and reporting success in reducing their overall carbon footprint. In 2012, we accepted the Governor's Award for Environmental Excellence for our long-term work on environmental stewardship.

We have had regular contact with EVT. Their key account managers are readily available, and they have provided access to various technicians, analysts, and executives when needed. With few exceptions, the EVT employees with whom we have interacted have been high-quality professionals with an understanding of our business and a desire to be helpful. We have few complaints about the quality of their workforce.

At the same time, we have watched as the energy efficiency charge (EEC) has escalated from a small addition to our power bill in the early 2000s to a significant line item today. You are no doubt aware that to meet EVT's growing budget, recent annual increases in the EEC have been 8-10%. This is actually down from the early years when 15-20% annual increases were not unusual. Using data from the PSB website, the long-term average annual increase in the EEC is over 14%. Few businesses, certainly not ours, have the pricing power to absorb that increase on a regular basis. And while efficiency upgrades have cut our power usage substantially, they have not done the same with our EEC payments. For example, we reduced our power usage by 22% over the past three years but the EEC charge only declined 3%. Mathematically, this is entirely understandable. Unless power consumption statewide is rising, if our power consumption falls the revenue to meet EVT's growing budget either shifts to other consumers or comes back to us in the form of higher per kWh charges, probably both.

We are aware EVT has returned a portion of its EEC revenue to commercial customers in the form of incentives. We were, for example, participants in EVT's Great Snow Gun Roundup which incentivized ski resorts to exchange old power-hungry snow guns for new low-energy models. Great idea, well executed. We have also received incentive checks for efficiency features in new buildings and, more recently, for purchasing a new air compressor for our snowmaking operation and for the installation of timers for our lift terminal heaters. In a real sense, the more we pay the more we look for ways to recoup our payments.

While incentive payments are appreciated, we often struggle with the timing. Like any business, we have long-term plans for capital investment. New EVT incentive programs can throw a wrench in those plans. Many of their programs are executed on

a “take it or leave it” basis. They have yield targets to meet and they launch programs to meet them. Our plans may call for a new lift but instead we scramble to raise cash to buy new snow guns when EVT announces their new initiative. We continue to incorporate efficiencies into our long-term investment program, but we would prefer to have control over the timing.

We often wonder, as we jump through hoops for EVT, whether we would be better off doing this on our own. Several years ago, we investigated establishing an Energy Savings Account (ESA). One advantage we envisioned is that an ESA would allow us to choose the projects as opposed to responding to EVT initiatives, and we would have greater say over the timing of each project. While an ESA seemed like a good idea on paper, the details proved more cumbersome in practice. We did not have available resources to put toward paperwork and we cringed at the thought of regular audits. We have to wonder how successful the ESA initiative was with smaller, resource-challenged entities.

When is it time to declare victory and begin winding down the program? We accept the truism that efficiency measures implemented today avoid costly upgrades and maintenance in the future. We acknowledge the accuracy of the avoided-cost studies performed by industry experts, although we also believe that the projections of future avoided costs already bake in past efficiency upgrades. Unless, for example, we replace the new low-energy snowmaking nozzles with the old technology, the savings are assured. At some point, additional resources thrown at energy efficiency will be subject to diminishing marginal returns. We believe that time is near.

At the very least, we would suggest an annual reduction in EVT’s budget over the next three-year budget cycle. We would also suggest returning to the former model of distribution utilities overseeing efficiency programs. BED has aptly demonstrated the ability of a power company to carry out an efficiency program. GMP has the resources and the vision to do the same. Perhaps EVT can administer programs for the municipal utilities or shift their focus to other forms of energy savings.

As a business reliant on power, we are always hunting for efficiency investments with a measurable ROI. And as a brand that actively promotes outdoor recreation and the beauty of our natural environment, environmental stewardship is not only good for the environment, it is good for our bottom line. Our priorities and our investments are well aligned with the goals of the state and the PSB. We ask for greater flexibility in carrying out the mission of energy efficiency and we also ask whether, after almost two decades of dramatic growth in EVT and significant changes in our power distribution market, there may be a better, more cost-effective way to achieve the same goals.

Thank you for considering our thoughts. We are happy to provide greater detail and additional commentary at your request.

Respectfully,

A handwritten signature in black ink that reads "Win Smith". The signature is written in a cursive style with a long horizontal stroke at the end.

Win Smith  
President