

STATE OF VERMONT
PUBLIC SERVICE BOARD

EEU-2010-06

In re: EEU Demand Resources Plan)

Order entered: 1/8/2014

**ORDER RE: GEOGRAPHIC TARGETING OF ENERGY EFFICIENCY
UTILITY SERVICES FOR 2014**

I. INTRODUCTION

In Orders issued on February 16, 2012, and July 16, 2013, the Vermont Public Service Board ("Board") determined that Efficiency Vermont ("EVT") shall implement geographic targeting¹ ("GT") efforts in St. Albans and in the Susie Wilson Road Area of Essex, Vermont. In today's Order, we determine that EVT shall continue GT efforts in St. Albans, and shall discontinue GT efforts in the Susie Wilson Road Area of Essex.

II. PROCEDURAL HISTORY

By Order dated August 1, 2011, the Board established budgets and savings goals for Efficiency Vermont ("EVT")² during the 2012-2014 performance period³ and directed that a portion of EVT's 2012 and 2013 electric efficiency resource-acquisition budgets be directed toward GT programs. By Order dated February 16, 2012, the Board required that EVT implement GT efforts in St. Albans and in the Susie Wilson Road Area of Essex, Vermont. In

1. Energy efficiency geographic targeting efforts are energy efficiency services that are targeted at customers served by circuits and substations that are facing capacity constraints, with the objective to avoid or defer costly system upgrades.

2. Efficiency Vermont provides energy efficiency services throughout the state except for the City of Burlington Electric Department's service territory, under an order of appointment issued by the Board on 12/20/10.

3. The EEU program operates on a three-year performance cycle. The next performance period will begin January 1, 2015.

addition, the Board: (1) requested that the Vermont System Planning Committee ("VSPC")⁴ provide the Board with annual updates to the VSPC's GT area recommendations; and (2) required host utilities to file annual plans, no later than November 1 of each year, that include identification of constraints, projected costs and resources available to alleviate the constraints, specific resource-acquisition targets and dates, and description of non-transmission alternatives that the utility would pursue on its own to complement GT services.

On December 31, 2012, the VSPC provided its recommendations for GT areas for 2013. The VSPC recommended that GT services continue in both the St. Albans and Susie Wilson Road areas.

By Order dated July 16, 2013, the Board approved the VSPC's recommendations for GT areas for 2013. The Board also recognized that the load forecasts and energy efficiency potentials for these areas had changed materially, thus pushing these two areas to the outer limits of acceptability as Non-transmission alternative ("NTA") solutions. For this reason, the Board put Efficiency Vermont on notice that, depending on the results of the 2013 VSPC analyses for these areas, the Board may direct that the GT programs cease in one or both of these areas in 2014. Finally, the Board requested that the VSPC make its GT area recommendations for 2014 at its earliest convenience to enable the Board to make a determination regarding 2014 GT programs in a timely manner.

On October 31, 2013, GMP filed its updated annual plan for energy efficiency geotargeting.

On November 1, 2013, the VSPC filed its GT area recommendation for 2014.

On November 5, 2013, the Clerk of the Board issued a memorandum seeking comment on the VSPC's recommendation.

On November 15, 2013, the Department of Public Service ("Department"), Green Mountain Power Corporation ("GMP"), and Vermont Energy Investment Corporation ("VEIC") each filed comments regarding the VSPC's recommendation.

4. The VSPC and its associated planning process were created in Docket 7081 (the Board's investigation into least-cost integrated resource planning for Vermont Electric Power Company, Inc.'s transmission system) to facilitate consideration of cost-effective non-transmission alternatives to new transmission projects. The VSPC provides for increased collaboration among Vermont utilities and transparency in the planning process.

On November 22, 2013, the Department and VEIC each filed reply comments.

On December 6, 2013, GMP filed a letter regarding the St. Albans area.

No other comments have been filed.

III. GEOGRAPHIC TARGETING AREAS

VSPC Recommendation

The VSPC recommends that GT continue during 2014 in St. Albans, and be discontinued in the Susie Wilson Road Area of Essex.

A. St. Albans

The VSPC reviewed and updated its analysis of the St. Albans area, including updated load forecasts. The updated analysis suggests that while there still exists a reliability gap, load forecasts indicate that the reliability gap may be less than the 2012 projection, and initial estimates indicate that the gap could be addressed with targeted energy efficiency and other resources. In addition, the VSPC noted that GMP was expected to file a reliability plan on November 25, 2013, that would identify a cost-effective mix of resources to fill the St. Albans reliability gap.

B. Susie Wilson Road

The VSPC reviewed and updated its analysis of the Susie Wilson Road area, including an updated load forecast. The VSPC's updated analysis shows that the peak load forecast is lower than originally forecast due to: (1) a large industrial customer's realized peak load being significantly lower than forecast; (2) modest new ability-to-serve requests; and (3) slower load growth. As a result, the date of need for the Susie Wilson Road reliability solution now appears to be well beyond 10 years, and the VSPC has generally considered a 10-year horizon appropriate for GT activities.

Initial Comments

VEIC, the Department, and GMP each support the VSPC's recommendations regarding GT programs in these areas for 2014, for the reasons provided in the VSPC's analysis. The Department recommends that GT programs in the Susie Wilson Road area be ramped down as

quickly as possible in a manner that minimizes customer inconvenience. Further, the Department suggests that VEIC be directed to propose a plan for ramping down GT programs in this area which would, at a minimum, preclude any new GT initiatives or incentive offers while honoring existing offers. The Department also recommends that VEIC be directed to file a proposal describing how its performance relative to the Board-approved Quantifiable Performance Indicators ("QPI") should be measured and adjusted.

VEIC recommends that GT programs in the Susie Wilson Road area be ramped down over time, rather than immediately discontinued. VEIC contends that a ramped-down approach would minimize the potential for marketplace confusion, would allow time for the completion of any outstanding customer incentive offers, education to retail partners, and any necessary adjustments in the energy efficiency supply chain. VEIC states that it has already taken steps to prepare for the possible termination of GT programs in this area, including by altering a request for proposals for a new residential pool pump replacement initiative that had been planned for both GT areas to now reflect only the St. Albans area. VEIC observes that there are multiple implications to a discontinuation of a GT program in the midst of a performance period, including the determination of eligible savings and costs for a GT area, the reallocation of unspent GT funds to statewide programs, and the resulting adjustment to statewide QPI goals. Accordingly, VEIC proposes to work with the Department to develop recommendations addressing these issues, and proposes to file a status update no later than March 30, 2014.

GMP supports the notion of ramping down GT programs in the Susie Wilson Road area in order to avoid any unnecessary disruptions to customers. GMP supports VEIC's recommendation that it propose a strategy for ramping down GT programs in this area.

Reply Comments

In its reply comments, the Department states that it is concerned that VEIC's proposed date for filing a status update, March 30, 2014, may reduce or eliminate VEIC's ability to effectively and efficiently utilize any newly available resources in statewide programs. Therefore, the Department suggests that VEIC be directed to file a status update by January 31, 2014, describing any further adjustments in program delivery that have been made, as well as a

description of the remaining outstanding GT customer offers. The Department further recommends that VEIC be directed to file a status update by March 31, 2014, describing the effects that the ramp down of GT efforts in the Susie Wilson Road area would have on the available budgets and performance targets for statewide programs.

VEIC states that its November 15 filing included provisions to curtail new GT initiatives in the Susie Wilson Road area pending the Board's final determination. VEIC agrees in spirit with the Department's recommendation that no new GT incentive offers be made in this area. However, VEIC observed that this prohibition would be difficult from a practical standpoint because statewide incentives, including custom project incentives, will continue to be offered in this area. VEIC states that custom project incentive levels are determined based on a number of factors, only one of which is inclusion in a GT area. Because VEIC custom incentive structures in a GT area are indistinguishable from those in a non-GT area, VEIC contends that it would have no means to demonstrate that custom GT offers were no longer being made in the Susie Wilson Road area. VEIC recommends that it continue to have flexibility in determining incentive levels while determining the best path to achieve the QPIs.

Discussion and Conclusion

We note that the VSPC's recommendation to continue GT programs in the St. Albans area appears to have been premised in part on the expectation that GMP would file a reliability plan on November 25, 2013, that would identify a cost-effective mix of resources to fill the St. Albans reliability gap. GMP stated in its December 6, 2013, letter that its reliability plan for the St. Albans area is not yet in final form. However, GMP's October 31, 2013, updated annual plan for energy efficiency GT indicated that St. Albans' resource need can be addressed by targeted energy efficiency and other NTA resources, including large demand-response customers, ice storage, and incremental energy efficiency.

Based on the VSPC's recommendations, and the support of those recommendations by the Department, VEIC, and GMP, we conclude that GT programs shall continue to be implemented in St. Albans for 2014, and that GT programs shall be discontinued in the Susie Wilson Road area in Essex. We direct VEIC to ramp down GT programs in the Susie Wilson Road area as

quickly as possible in order to reallocate resources to statewide programs. The Board is aware of the potential for marketplace confusion in ramping down this program, therefore, the Board directs VEIC to ramp down its program in a manner that minimizes customer inconvenience, and will allow time for the completion of any outstanding customer incentive offers, the provision of education to retail partners, and any necessary adjustments in the energy efficiency supply chain.

The Board recognizes VEIC's concern regarding custom incentives. Today's Order is not intended to impede VEIC's ability to determine custom incentive levels. VEIC shall retain flexibility in determining cost-effective incentive levels for statewide programs, including statewide programs offered in the Susie Wilson Road area.

We adopt the following status update schedule, which is based on the Department's recommendation. VEIC is directed to file a status update by February 14, 2014,⁵ describing any further adjustments in GT program delivery that have been made, as well as a description of the remaining outstanding GT customer offers. VEIC is further directed to file a second status update by March 31, 2014, describing how reallocated resources will be utilized in statewide programs, and proposing how statewide program budgets and performance targets should be amended. Any comments on VEIC's second status update must be filed no later than April 11, 2014, with any reply comments due by April 18, 2014.

SO ORDERED.

5. The Department recommended that this status update be filed on January 31, 2014. However, this date may not be practical at this time.

Dated at Montpelier, Vermont, this 8th day of January, 2014.

<u>s/ James Volz</u>	)	
	)	PUBLIC SERVICE
	)	
<u>s/ John D. Burke</u>	)	BOARD
	)	
	)	OF VERMONT
<u>s/ Margaret Cheney</u>	)	

OFFICE OF THE CLERK

FILED: January 8, 2014

ATTEST: s/ Susan M. Hudson
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)