

STATE OF VERMONT
PUBLIC SERVICE BOARD

EEU-2010-06

In re: EEU Demand Resources Plan)

Order entered: 2/16/2012

**ORDER RE GEOGRAPHIC TARGETING OF ENERGY EFFICIENCY UTILITY SERVICES
IN 2012-2014; MOTION FOR RECONSIDERATION AND CLARIFICATION**

I. INTRODUCTION

In this Order, the Public Service Board ("Board") approves the recommendations of the Vermont System Planning Committee¹ ("VSPC") regarding the geographic-targeting² ("GT") territories for the 2012 through 2014 time period. The Board has determined that Efficiency Vermont shall implement GT efforts in St. Albans and in the Susie Wilson Road area of Essex, Vermont. The Board also addresses a Motion for Reconsideration and Clarification filed by the Department of Public Service ("DPS") on January 27, 2012.

II. BACKGROUND

On September 25, 2006, the Board issued an Order determining that a portion of Efficiency Vermont's 2007 and 2008 budgets would be spent on energy efficiency services targeted in geographic areas with transmission and distribution infrastructure capacity constraints.³ In the September 25 Order, the Board stated:

1. 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 of the planning process.

2. Energy efficiency geographic targeting efforts are energy efficiency services that are targeted to those circuits and substations that are facing capacity constraints, in an attempt to avoid or defer system upgrades.

3. See Order Re: Targeting of Portion of Energy Efficiency Utility Budget, September 25, 2006.

Capacity reduction during peak times can help reduce the need to upgrade transmission and distribution infrastructure. In addition, peak-capacity savings also produce peak-energy savings. These can be among the most cost-effective energy-efficiency savings to acquire because they avoid the highest-priced electricity. Therefore, we conclude that targeting the 2006 EEU funds in this manner will further the statutory objective of targeting energy-efficiency activities in ways that provide the greatest value.

In Orders dated January 8, 2007, and November 4, 2008, the Board identified specific geographic areas for GT efficiency efforts for the 2007-2008 and 2009-2011 periods, respectively.

On August 1, 2011, the Board issued an Order that determined the energy efficiency utility ("EEU") electric budget for Efficiency Vermont for 2012 through 2014. In that Order the Board concluded that it is appropriate to continue GT efforts, at least through 2014, and determined that for 2012 and 2013, up to 10 percent of Efficiency Vermont's electric resource-acquisition budget will be directed towards GT activities. The Board determined that, for 2014 and beyond, GT funding levels and revenue sources will be determined on a case-by-case basis by a collaborative, objective, and transparent VSPC process. In addition, the Board directed Board staff to conduct proceedings to develop and implement a GT-territory selection process informed by the VSPC.

On December 21, 2011, the VSPC submitted its GT-territory recommendations. On January 4, 2012, Board staff convened a workshop to discuss the VSPC's recommendations with stakeholders. At the workshop several stakeholders discussed an alternative budgeting option for GT programs.

On January 20, 2012, Board staff issued a memorandum stating that any motions for reconsideration of the Board's August 1 Order, as they relate to the GT budgets, were to be submitted no later than January 27, 2012, and any comments on a motion for reconsideration were to be submitted no later than February 3, 2012.

On January 27, 2012, the DPS filed a motion for reconsideration and clarification of the Board's August 1 Order, and the Board staff January 20 memorandum. The DPS represents that its motion is supported by the Vermont Energy Investment Corporation ("VEIC"), Washington

Electric Cooperative, Inc. ("WEC"), Central Vermont Public Service Corporation ("CVPS"), and Green Mountain Power Corporation ("GMP").

The Board received no comments on the DPS's motion.

III. 2012-2014 GEOTARGETING AREAS

VSPC Process and Recommendations

The Energy Efficiency and Forecasting ("EEF") Subcommittee of the VSPC began developing a process for the evaluation of GT areas in the spring of 2011 and met seven times throughout the summer and fall to review data and recommendations. To begin, the EEF Subcommittee requested that all distribution utilities ("DU") identify areas within their service territories with transmission or distribution infrastructure capacity constraints that are load-growth related, that would otherwise result in an upgrade project within a three-to-ten-year time frame, and that have maximum zonal efficiency potentials greater than the deferral need, as projected in Forecast 20.⁴ Identified areas were then subject to an EEF analysis of load forecast based on a five-year historical trend, with adjustments to the forecast to be consistent with utility transmission and distribution infrastructure investment planning criteria, expected load growth based on known factors, and the presence or absence of demand resource or SPEED⁵ generation projects. Based on this analysis, the EEF identified and now recommends two areas for GT activities: St. Albans in CVPS service territory; and the Susie Wilson Road area (Essex) in GMP service territory.

The VSPC represents that St. Albans faces a future summer reliability constraint from the loss of one of the area's 34.5/12.47 kV substations in the event of a planned or unplanned transformer outage. Although recent load growth has been flat, CVPS expects 1.5 MW of new

4. Forecast 20 is a study that was commissioned by Vermont Electric Power Company, Inc., and performed by Vermont Energy Investment Corporation, that analyzes the maximum economically achievable electricity savings from unconstrained investment in energy efficiency over the time period 2012 through 2031. The study forecasted the peak demand savings potential for each of sixteen load zones. Thus, a DU area would have to be within a load zone whose efficiency potential exceeds the deferral need.

5. Sustainably Priced Energy Enterprise Development Program, established pursuant to 30 V.S.A. § 8005.

demand to come on line in the next several years. This additional demand, plus any ancillary growth, will likely require the construction of a new 34.5/12.47 kV substation at a cost of \$1.5 million to maintain existing backup capability. The VSPC analysis shows that targeted energy efficiency could delay the project for several years, thus allowing time for investigation of other resources to address forecasted load growth, and to reduce uncertainty regarding forecasted load. The VSPC estimates that the cost to acquire this incremental energy efficiency over the three-year planning period is \$4.0 million, and estimates that the annual deferral value is \$250,000.

The VSPC reports that the Susie Wilson Road area is constrained by both feeder capability and substation transformer capacity. Over the past five years this area has experienced 3 percent annual load growth. GMP is also expecting a new 5 MW load to come on line during the next two years. In order to serve the Susie Wilson Road area, GMP will need to construct a new 115 kV/12.47 kV substation at a cost of \$8 million. The VSPC analysis estimates that there is approximately 700 kW of energy efficiency potential in this area, which can be acquired at a cost of \$2.7 million. This GT investment will defer the substation project by at least one year, with an annual deferral value of \$1.4 million. The VSPC expects that there will be additional energy efficiency potential in this area for the 2015-2017 period, which could delay the substation project even further.

In addition to the two recommended areas, the VSPC screened or analyzed a total of eight additional areas. However, these areas have not been recommended for GT activities either because there are more cost-effective alternatives, the constraint cannot be adequately addressed by GT, or because the current economic recession has materially decreased load growth and therefore obviated the need to address the constraint. The VSPC EEF Subcommittee states that it will monitor the progress in these areas annually, and will revisit its recommendations.

Positions of the Participants

On December 23, 2011, the DPS filed comments on the VSPC recommendations. The DPS states that it fully supports the recommendation of the VSPC in this matter.

No other participant filed comments on the VSPC recommendation.

Discussion and Conclusion

The Board accepts the VSPC's recommendation that the St. Albans and Susie Wilson Road areas receive targeted energy efficiency services. Further, we approve the recommended budget allocation of approximately \$4.0 million to the St. Albans area, and approximately \$2.7 million to the Susie Wilson Road area, to achieve the projected incremental demand savings in these areas. Like all other energy efficiency investments made by Efficiency Vermont, the energy efficiency investments made with this incremental funding must be cost-effective. Further, we note that in addition to the deferral or avoidance of transmission and distribution upgrades cited in VSPC's analysis, the annual deferral values from VSPC's analysis, estimated to be \$250,000 in the St. Albans area and \$1.4 million in the Suzie Wilson Road area, do not reflect the total benefit of the GT spending. The recommended spending will also result in energy and non-energy benefits.⁶

In the August 1 Order the Board found that use of the VSPC process will better integrate utility planning with energy efficiency programs. Accordingly, the Board required that any GT-area proposal include a comprehensive plan that is developed jointly by the host utility and Efficiency Vermont. The plan is to include, at a minimum: the constraint(s) identified by the VSPC; the projected costs and resources available to alleviate the constraint(s); specific resource-acquisition targets and dates; and what non-transmission alternatives ("NTA") the host utility will pursue on its own to complement the GT services. The Board also required the host utility to work with Efficiency Vermont to provide updates on the GT programs. Therefore, we require CVPS and GMP to work with Efficiency Vermont to develop and file with the Board a

6. In a January 7, 2011, report prepared by Navigant Consulting, Inc. for the Department of Public Service, GT spending in the 2007-2009 period was found to have a benefit-to-cost ratio of approximately 2. GT programs saw higher participation rates than in statewide programs, and participants saw significant changes in peak demand and total energy consumption. *See Process and Impact Evaluation of Efficiency Vermont's 2007-2009 Geotargeting Program.*

comprehensive plan that addresses these matters. The first such plan should be filed no later than March 16, 2012. Subsequent annual plans shall be filed by DUs in conjunction with Efficiency Vermont's annual plan.⁷ These submissions shall also include a discussion of the projected efficacy of GT programs and other NTA initiatives in these areas.

As noted above, the VSPC EEF Subcommittee proposes to monitor identified areas annually, and to provide the Board with updates to its recommendations. Accordingly, we request that the VSPC provide the Board with updates to the VSPC's GT area recommendations no later than December 31 of each year.

Finally, we commend the VSPC EEF Subcommittee and other participants for adopting this new process for identifying, evaluating, and budgeting GT areas and services. This accessible, transparent and collaborative effort has significantly improved the process for analyzing and selecting GT areas, and has thereby mitigated the concerns of equity regarding geographic targeting.

IV. DPS MOTION FOR RECONSIDERATION AND CLARIFICATION

Positions of the Parties

On January 27, 2012, the DPS filed a motion requesting that the Board reconsider and clarify the August 1 Order as it relates to the time frame for the spending of the approved GT budget and also to future Board process in this matter. The DPS represents that its motion is supported by VEIC, WEC, CVPS, and GMP.

The DPS states that in its December 21, 2011, filing, the VSPC proposed that 10% of EVT's electric resource-acquisition budget for 2012 and 2013 be allocated to GT activities, and that the activities take place across the entire three-year 2012-2014 time period. The DPS asserts that no participants at the January 4 workshop objected to this recommendation, and that many participants agreed. The DPS represents that the VSPC recommended this option because it reflects the existing EEU program planning cycles and that it is an appropriate length of time to

7. Pursuant to the Process and Administration of an Energy Efficiency Utility Order of Appointment document, "An EEU shall prepare and submit to the Board an Annual Plan by November 1."

ramp up GT programs in order to achieve all cost-effective potential within the recommended areas to meet the dates at which the substation projects would be needed.

The DPS asserts that adoption of this option will not affect the total annual EEC collections in the years 2012 through 2014, that rate and bill impacts will remain as proposed, and that the statewide Quantifiable Performance Indicators that have already been proposed will not need to be altered.

The DPS states that the January 20 Board staff memorandum does not indicate whether the Board intended for the approved GT budget to be spent during the two years in which it is collected (2012 and 2013) or over the entire three-year performance period (2012-2014). The DPS also states that the memorandum does not indicate what, if any, future Board process may be necessary.

Therefore, the DPS requests that the Board:

1. Alter or amend the August 1 Order to clarify that the budget allocation of 10% of the 2012 and 2013 Efficiency Vermont resource-acquisition budgets for geographically targeted areas (\$6.7 million) can be collected and utilized throughout the 2012-2014 Energy Efficiency Utility performance period.
2. Alter or amend the August 1 Order to clarify that future issues related to geographic targeting budgets will be addressed after any future VSPC recommendations.

Discussion and Conclusion

With respect to the DPS request for clarification of the August 1 Order, we find that the Order made clear the intended spending time frames for GT program funds. The August 1 Order states:

We further determine that for 2012 and 2013, up to 10 percent of Efficiency Vermont's electric resource-acquisition budget will be directed towards geographic-targeting ("GT") activities. (Order of 8/1/11 at 4).

The budget for GT activities collected through the EEC in 2012 and 2013 will be set at 10 percent of Efficiency Vermont's electric resource-acquisition budget The 2014 GT budget will be informed by the VSPC process, and the Board will

determine the appropriate budget collection mechanism for 2014 during a process involving the VSPC and other stakeholders. (Order of 8/1/11 at 28).

The 2014 GT budget will be determined in a subsequent proceeding that will be informed by the VSPC process, and the Board will determine the appropriate budget collection mechanism for 2014 during a process involving the VSPC and stakeholders. (Order of 8/1/11 at 35-36).

Once we have ruled on the specific areas that should be geographically targeted in the 2012-2014 budget period, we direct staff to initiate a proceeding to determine the appropriate funding mechanism(s) for the selected GT areas for the 2014 budget year. (Order of 8/1/11 at 72).

To be clear, the Board intended for up to 10% of EVT's 2012 and 2013 EEC-funded electric resource-acquisition budgets to be spent on GT programs in those years, and that the funding amount and source for any GT spending for 2014 and beyond would be determined through future Board proceedings.

We had expected that parties' recommendations for GT would reflect this arrangement. However, in the August 1 Order we concluded that it was reasonable to utilize approximately \$6.7 million in EEC funds for GT programs in the 2012-2014 time period. It is therefore reasonable to allow the same amount to be collected and utilized over a longer time period while the Board is considering potential alternative funding arrangements for any future GT programs. Accordingly, we hereby amend the August 1 Order, in accordance with the DPS motion for reconsideration, to reflect the VSPC-recommended spending pattern for the 2012-2014 performance period. A sum equal to 10% of Efficiency Vermont's 2012 and 2013 electric resource-acquisition budgets, approximately \$6.7 million, shall be funded via the EEC and shall be collected and utilized on GT programs throughout the 2012-2014 performance period. Amending the August 1 Order in this manner will allow for timely conclusion of remaining issues in this proceeding, including the filing of Efficiency Vermont's annual plan and updates to quantifiable performance indicators. By amending the August 1 Order in this manner, we are reducing the annual amount of Efficiency Vermont's electric resource-acquisition budget

available to GT programs in 2012 and 2013, and increasing the amount available in 2014.⁸ We direct Efficiency Vermont to allocate the difference to its statewide electric resource-acquisition programs. As a result of this shift in resources, and in accordance with a December 27, 2011, Order in this proceeding approving Quantifiable Performance Indicators ("QPI"), a number of QPIs must be updated.⁹ Pursuant to the December 27 Order, these QPIs shall be adjusted once the QPI for GT programs is determined.

With respect to the DPS request for clarification regarding future VSPC process, we agree that clarification is appropriate. The Board's intent in the August 1 Order was to recognize that a new VSPC GT-territory selection process was being implemented in a short time. By determining appropriate GT areas without regard to funding source or collection mechanism for the first two years, we endeavored to engage stakeholders in a new process in a short time frame. The Board's intent was to then enlist the VSPC and stakeholders in a subsequent, distinct investigation into the most appropriate funding mechanism for GT programs going forward, with consideration given to the allocation of costs and benefits of GT initiatives. Therefore, we again direct Board staff to convene a proceeding to investigate the appropriate funding mechanism(s) for any future GT programs. We request that the VSPC provide a recommendation or status update on its evaluation of appropriate funding sources and budgets for GT areas by July 6, 2012, as discussed at the January 4 workshop.¹⁰

At the January 4, 2012, workshop participants had discussed filing Efficiency Vermont's updated annual plan, and also proposals for GT QPIs by February 15, 2012. Because that date is no longer reasonable, we hereby direct Efficiency Vermont to file its updated annual plan no later than March 2, 2012. Similarly, any recommendations for GT QPIs must be filed no later than March 2, 2012. Any comments on GT QPI proposals must be filed no later than March 16, 2012. Once we have determined an appropriate GT QPI, we direct participants to file recommended

8. The August 1 Order allowed up to 10% of the 2012 and 2013 electric resource-acquisition budgets (equal to \$6,718,914) to be spent on GT programs. The VSPC-proposed budget, approximately \$6.7 million, will now be spread over the three-year performance period.

9. QPIs for Annual Incremental MWh Savings, Total Resource Benefits, and Cumulative Summer Peak Demand Savings were all based on 90% of approved budget in 2012 and 2013, and 100% of approved budget in 2014.

10. Tr. 1/4/12 at 82 (Knauer).

adjusted QPIs no later than two weeks after the date of an Order determining the GT QPI. Any comments on adjusted QPI recommendations must be filed no later than three weeks after the date of an Order determining the GT QPI.

SO ORDERED.

Dated at Montpelier, Vermont, this 16th day of February, 2012.

<u>s/ James Volz</u>	)	
	)	
	)	PUBLIC SERVICE
<u>s/ David C. Coen</u>	)	
	)	BOARD
	)	
<u>s/ John D. Burke</u>	)	OF VERMONT

OFFICE OF THE CLERK

FILED: February 16, 2012

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)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.