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January 18, 2019

Ms. Judith Whitney, Clerk
Vermont Public Utility Commission
112 State Street, Drawer 20
Montpelier, VT 05620-2701

Re: Case No. 18-3810-INV

Dear Ms. Whitney:

As directed in the Commission's December 12, 2018 memo, Vermont Electric Cooperative (VEC) offers the following comments in response to the Department's comments submitted on December 10, 2018.

Response to the Department's General Comments on Tier III Annual Plan Filings

VEC supports the Department's desire to see a more standardized format for the distribution utilities' (DUs') annual Tier III plans and welcomes any guidance from the Department or the Commission on a standard format or list of requirements. VEC would also like to see guidelines on DUs' annual Tier III compliance filings to ensure that the Department and Commission are receiving all relevant information in a way that can be properly and consistently evaluated.

While we are open to any requirements for annual plan and compliance report components and format, we would not support a prescriptive approach to program design itself, for example a requirement that each DU offer a specific incentive for a cold-climate heat pump. VEC appreciates the flexibility that DUs currently have in program design and implementation because it allows each DU to tailor programs and incentives to best serve its customer base.

In the list provided by the Department in its December 10, 2018 filing, we have concerns about only one item, which is administrative cost. After two years of program administration, we are able to determine a total administrative cost of the program but would find it difficult to break this down by individual measure. Our top expense of administering the program is staff time. While we do have a special pay code to track employee time dedicated to the program, we do not break this down by what specific technology the employee was working on. Many of the program costs are also non-measure specific, such as time spent at a workshop, writing comments, creating the plan, and preparing the compliance filing. In addition, the administrative cost of the measure decreases the more successful the program is because much of the time spent on an individual program is during program design and development, whereas a task like processing incentive forms takes very little time. We could estimate an administrative cost for each measure, but we question whether this information would add considerably more value than simply providing an estimate of the administrative cost of the entire program.

We support the Department's request for clarification of the definition of administrative costs. We have

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included staff time, marketing materials, and our pro rata share of the cost of the Technical Advisory Group in our calculations.

We would be happy to provide a load growth estimate per measure and actually have included this in our plans for everything other than custom projects. We also include information about best practices for demand management for each measure in our summary charts.

We have reservations about implementing a formal approval process for the DUs' annual Tier III plans. Our main concern is whether an approval process would add administrative cost and slow down our ability to develop and implement programs in time for the start of a new program year. Up until now, the Department has raised any concerns about the DUs' plans in its comments, and the DUs have attempted to correct these issues. To the extent that the Department is dissatisfied with a DU's responsiveness, they eventually have the ability to recommend that a portion of a DU's savings claims be disallowed in its compliance filing. Presumably, this outcome would occur only after an impasse in discussions between the two parties on the issues that the Department raised. The Commission could then make a determination of the merits of each party's position.

VEC does not have other specific issues to raise at this time regarding the RES orders and future rule, but we look forward to continued involvement in the RES rule-making process.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lisa Morris".

Lisa Morris, Energy Services Planner