

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7339

Petition of Green Mountain Power Corporation)
for approval of the Transmission Class Efficiency)
Program as a qualifying project under the)
Efficiency Fund)

Order entered: 9/27/2007

ORDER RE: TRANSMISSION CLASS EFFICIENCY PROGRAM

I. INTRODUCTION

On June 22, 2007, Green Mountain Power Corporation ("GMP") filed a petition seeking approval of the Transmission Class ("TC") Efficiency Program, which is intended to facilitate new energy efficiency by members of the class. Under GMP's proposal, IBM (the sole member of the TC) would propose energy efficiency projects that are consistent with GMP's Efficiency Plan that the Vermont Public Service Board ("Board") approved in Docket 7213.¹ GMP, with input from the Vermont Energy Investment Corporation ("VEIC"), would review the projects to ensure that they meet the criteria for Efficiency Plan investments.

The Board, after notice to parties in Dockets 7213 and 7175/7176, conducted a workshop to consider GMP's proposal on July 25, 2007, which was attended by GMP, IBM, and the Department of Public Service ("Department"). The Board subsequently solicited comments from the parties in Docket 7213. IBM filed testimony supporting GMP's proposal. The Board received no other comments and no requests for evidentiary hearings.

In this Order, the Board concludes that GMP's TC Efficiency Program is reasonable and approves it. GMP's proposal represents the first use of the Efficiency Fund that we approved as a means of providing customers with a return of a portion of the windfall GMP shareholders would

1. Order of 3/26/07.

otherwise have received from the above-market sale of GMP.² We expect that the Program will provide benefits to IBM at least equal to IBM's share of the windfall that we required GMP to return to its customers. In addition, the program should produce energy efficiency savings that would not otherwise have been obtained, to the benefit of all customers.

II. FINDINGS

1. The TC Efficiency Program is an "energy efficiency project" (one of the "Qualifying Project Categories") as defined in the Efficiency Plan: a new program targeted to a specific service territory and customer segment. Griffin pf. at 2.

2. Prior to filing with the Board, the TC Efficiency Program was submitted to stakeholder review consisting of the Department, IBM, GMP, and VEIC, as required under the Efficiency Plan. During the stakeholder review, the parties reviewed the TC Efficiency Program, the project selection process, the verification plan, and related issues. Griffin pf. at 7.

3. The TC Efficiency Program is similar to the Commercial and Industrial ("C&I") Customer Credit Program administered by Efficiency Vermont.³ Plunkett pf. at 2.

4. Under the TC Efficiency Program, IBM will select projects that constitute new and existing energy efficiency projects under the Efficiency Plan. All projects will be located in GMP's service territory, and will be selected based on their ability to provide the required net benefits to GMP customers. *Id.*

5. IBM must also certify that in the absence of the Efficiency Plan investment, each project either would not be undertaken or would not receive incremental funding in the Efficiency Plan amount (the "but for" test). For instance, no project that meets the criteria of the C&I Customer Credit Program will be eligible for TC Efficiency Program funding, unless credit program funds have been exhausted for the period and VEIC confirms that the project will not be undertaken by Efficiency Vermont. *Id.*

2. For a full description of the origins of the Efficiency Fund, see Docket 7213, Order of 3/26/07 at 33–42.

3. Efficiency Vermont is the state's Energy Efficiency Utility ("EEU"). For all of the state except the City of Burlington Electric Department's service territory, VEIC acts as the EEU.

6. For all projects it proposes to implement, IBM must provide GMP with a brief project description, overall project cost estimate, projected annual energy savings and other benefits associated with the project (including appropriate supporting documentation), and verification that each project would not be completed without TC Efficiency Program funding. Griffin pf. at 3.

7. For each project, IBM plans to follow the same process it now uses for the C&I Customer Credit Program, contacting VEIC in advance to review the proposed project scope, cost and energy savings estimates, and expected life of the investment. Aldrich pf. at 2.

8. GMP will then review the project submission for completeness and consistency with the Efficiency Plan requirements and objectives, and forward the request to VEIC for review and verification, together with other information GMP may have concerning the calculation of net benefits associated with the project, including, for instance, any applicable administrative costs. Griffin pf. at 3.

9. VEIC will then: (1) verify that the project is an energy efficiency project or other project as defined in the Efficiency Plan; (2) verify project cost estimates, projected energy savings and other costs and benefits; (3) calculate projected net benefits in a manner consistent with the Efficiency Plan and methodologies used by VEIC, including the Vermont Statewide Field Screening Tool; and (4) communicate the results of the project request evaluation to GMP. Griffin pf. at 3–4.

10. Benefits reflected in the analysis will relate primarily to energy savings, but also will include capacity savings, avoided investments in infrastructure, reduced supply risk resulting from fuel and geographic diversity, environmental benefits (emission reductions), economic development benefits and other customer savings. Plunkett pf. at 3.

11. If all Efficiency Plan criteria are met and GMP determines that there is an acceptable level of assurance that the project will generate an appropriate level of net benefits, it will issue a letter of award and payment equal to the amount identified in the project request within 30 days of VEIC concurrence. If all criteria are not met, Green Mountain Power will issue a letter of rejection which includes reasons for the rejection. Griffin pf. at 4.

12. For approved projects, GMP will provide the Department and the Board with a copy of the application, the VEIC Project Review Results, GMP's Award Letter and copy of the payment documentation. Griffin pf. at 4.

13. As with other projects implemented under the C&I Customer Credit Program, IBM will manage the installation of the equipment. IBM will provide VEIC (with whom GMP has contracted to verify costs and benefits) with appropriate verification documentation, including the actual costs to purchase and install the equipment, and annual benefits including IBM's reduced energy consumption associated with the new equipment.⁴ VEIC will verify with site inspections that the equipment installation was completed as specified and the actual net benefits achieved by the projects. Additionally, the Department may perform an audit of the project as well, consistent with its verification process employed for other VEIC-administered efficiency programs. Griffin pf. at 5–6; Aldrich pf. at 2–3.

14. GMP will annually report to the Board the amounts actually invested by year, the net benefits from projects approved by year (net of any performance monitoring adjustments, if applicable), and the amount of remaining net benefits due customers expected at December 31 of the year of the report. GMP will separately identify the investments made between under the TC Efficiency Program and other Efficiency Fund programs that serve other commercial and industrial customers and residential customers. Griffin pf. at 6.

15. The amount of Efficiency Plan funding available for IBM-selected projects is limited to IBM's revenue-based share of the total investment required under the Efficiency Plan. Griffin pf. at 6.

16. The bulk of the projected net benefits will be realized by IBM, because the primary benefit of the projects relates to avoided energy and the associated avoided retail charges for the purchase of that energy. Some of the benefits accrue to all customer classes ratably, including the avoided marginal energy costs in excess of the amount included in rates, and environmental benefits. Plunkett pf. at 4.

4. Under the C&I Customer Credit Program, VEIC provides these services to IBM as part of its EEU function. Under the TC Efficiency Program, VEIC will not be acting as the EEU in providing these services and thus will not be receiving compensation under the state energy efficiency program.

III. DISCUSSION

In Docket 7213, we considered the proposed acquisition of GMP by Northern New England Energy Corporation, a wholly-owned subsidiary of Gaz Metro of Quebec. The proposed sale price was significantly above GMP's book value. This triggered the requirement in Docket 6107 that, if GMP was sold at a price in excess of book value, GMP would return half of the excess (up to a cap of \$8 million, adjusted for inflation) to customers.⁵ To meet the obligations imposed by Docket 6107, GMP created the Efficiency Fund and submitted the Efficiency Plan that described how the fund would operate.

The Efficiency Plan calls for GMP, after a stakeholder review process, to submit for Board approval projects meeting criteria set out in the Plan. Under the Plan, GMP will invest a total of \$8 million, adjusted for inflation since 2001, in projects that will deliver a total net benefit to customers in excess of Efficiency Plan investments, customer investments, project delivery, performance monitoring, verification and administrative costs of \$8 million (also adjusted for inflation since 2001). GMP has committed to provide those net benefits by December 31, 2014.

The Efficiency Plan also defines the types of projects that are eligible. Generally, eligible projects consist of new and existing energy efficiency projects, demand response programs, renewable and clean energy programs and technologies, and new and emerging technologies. Projects must be located in GMP's service territory. GMP intends to select projects based on their ability to provide the required net economic benefits to its customers. Each project must meet a "but for" test, through a demonstration that, in the absence of the Efficiency Fund investment, the project either would not be undertaken or would not receive incremental funding in the Efficiency Fund amount, and will require a statement to that effect by GMP.

5. In Docket 6107, the Board considered a rate increase request for GMP. Because of GMP's financial situation, the Board set rates in excess of the rates that traditional cost-of-service methodologies would have produced. As a condition for requiring ratepayers to pay these higher rates, the Board adopted a windfall sharing mechanism, which required that, if GMP was later sold for a price in excess of book value, GMP must return half of the above-book value to ratepayers (up to a cap of \$8 million adjusted for inflation).

The TC Efficiency Program is the first proposal for which GMP has sought approval under the Efficiency Plan. It was developed through a stakeholder process, which included IBM, the Department and VEIC.⁶ The Program contains criteria for review and approval of the individual projects that should ensure that each project is consistent with the goals of the Efficiency Plan and provides net benefits. Specifically, VEIC will verify the amount of projected net benefits for each IBM-selected project based on its standard methodologies, and each project must generate an appropriate level of net benefits.⁷ Moreover, IBM plans to select projects, and validate their net benefits with VEIC, in the same manner that it does for the existing C&I Customer Credit Programs.⁸ We expect that this coordination will help ensure that IBM projects are consistent with the Efficiency Plan.

We find GMP's proposal to be reasonable and approve it. As explained by GMP, the TC Efficiency Program is consistent with the Efficiency Plan that we approved in Docket 7213. More importantly, the investments that IBM pursues should produce net benefits for IBM, GMP and GMP customers as a whole. The TC Efficiency Program also addresses our concern in Docket 7213 that IBM receive an appropriate share of the benefits under the Efficiency Plan.

IV. CONCLUSION

For the foregoing reasons, we approve GMP's proposed Transmission Class Efficiency Program.

6. Griffin pf. at 7.

7. Griffin pf. at 6–7.

8. See generally, Aldrich prefiled.

V. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. Green Mountain Power Corporation's Transmission Class Efficiency Program is approved.

Dated at Montpelier, Vermont, this 27th day of September, 2007.

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

OFFICE OF THE CLERK

FILED: September 27, 2007

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.