

STATE OF VERMONT  
PUBLIC SERVICE BOARD

Docket No. 7412

Petition of Green Mountain Power Corporation for )  
approval of the Efficiency Fund 2008 Annual Plan )

Order entered: 3/14/2008

**I. INTRODUCTION**

In Docket 7213, the Public Service Board ("Board") approved a plan by Green Mountain Power Corporation ("GMP") to invest approximately \$9.3 million of windfall profits in demand-side management, renewable energy, and other efficiency programs. GMP referred to the money set aside for these purposes as the "Efficiency Fund." GMP has previously committed \$2.5 million of the Efficiency Fund to a low-income program and a transmission class program. On November 15, 2007, GMP filed its 2008 Annual Plan for a Residential Energy Services Program ("Residential Program") and a Business Energy Services Program ("Business Program").

The Board, after notice to parties in Dockets 7213 and 7175/7176, conducted a workshop on January 24, 2008, to consider GMP's proposal. On February 8, 2008, GMP filed responses to questions raised by Board staff at the January 24 workshop. On the same date, the Department of Public Service ("Department") filed a letter recommending that the Board approve GMP's 2008 Annual Plan.

In this Order, the Board concludes that GMP's 2008 Annual Plan should be approved, despite the reservations described below.

**II. FINDINGS**

1. Over several years, GMP proposes to invest approximately \$7 million in new residential and business efficiency programs in its service territory. This investment is expected to yield approximately \$25 million in net societal benefits. Proposed Investment Plan at 4.
2. GMP plans to engage Vermont Energy Investment Corporation ("VEIC") to invest the funds in energy efficiency services for GMP customers. Proposed Investment Plan at 5.

3. The Proposed Investment Plan follows a mutual fund model in which GMP can selectively invest in qualifying Efficiency Vermont initiatives or hire VEIC to implement new initiatives. Proposed Investment Plan at 5.

4. GMP plans to invest \$2.9 million in the Residential Program over the next five years. Proposed Investment Plan at 5.

5. The Residential Program includes:

- Incentives for high-efficiency furnace replacement, which saves oil and propane, in addition to electricity.
- Discounts on Blue-Line real-time end-use monitoring devices, which enable customers to measure how much electricity each home product or appliance consumes. Other utilities' experience in evaluating the impact of this technology indicates annual electricity savings of 7 to 10%, lasting an average of three to five years.
- In-home residential retrofits targeting thermal and water efficiency, in addition to direct installation of electricity-savings measures.
- Approximately 50 school workshops conducted through 2012 throughout GMP's service area to educate students and parents on the value of compact fluorescent lamps ("CFLs"), including making available free CFLs in conjunction with school fundraisers.

Proposed Investment Plan at 5-6.

6. The Residential Program will target GMP residential customers using between 5,000 and 30,000 kWh per year, although any residential customer is eligible for the program.

Proposed Investment Plan at 10.

7. GMP proposes to invest \$4.0 million in the Business Program over the next five years, or \$829,000 in 2008. Proposed Investment Plan at 15.

8. The Business Program funds would be invested in existing business facilities located outside the areas geographically targeted by Efficiency Vermont pursuant to the Board's September 25, 2006, and January 8, 2007, Orders, and would focus on retrofits. Proposed Investment Plan at 6 and 16.

9. Under the Proposed Investment Plan, the Department would be responsible for verification of GMP's efficiency savings claims. The residential services contained in the Proposed Investment Plan would require an expansion of the Department's Energy Efficiency

Utility ("EEU") verification process. Any additional verification costs would be reimbursed by GMP out of the Efficiency Fund. Proposed Investment Plan at 30.

10. On the whole, the GMP Efficiency Fund is expected to lower total costs of electric service, and consequently, all GMP customers benefit from the cost-effective electric efficiency investments. Customers that directly participate in the GMP Efficiency Fund programs will derive more benefit than customers that do not participate; however, customers that participate would also contribute their own funds towards the energy efficiency investment. Proposed Investment Plan at 7-8.

11. Energy efficiency programs targeted toward commercial and industrial customers are much more cost-effective than residential programs. Designing energy efficiency programs to exclusively maximize value would lead GMP to invest energy efficiency resources disproportionately in favor of non-residential customers. Proposed Investment Plan at 8.

12. GMP's proposal is intended to balance the goal of customer class parity with the goal of maximizing overall benefits. GMP February 8 letter at 3.

13. Without targeting non-electric resource savings, the Proposed Investment Plan would not provide sufficient benefits for residential customers. Proposed Investment Plan at 11.

14. GMP's proposal creates economic value for its customers above and beyond what its customers would have received from Efficiency Vermont's services. GMP is creating new services that Efficiency Vermont does not provide; GMP is committing additional funding to Efficiency Vermont services in GMP's service territory; and GMP's proposal would restrict customers within geotargeted areas from participating in the business program, as Efficiency Vermont is already maximizing its efforts in these areas. Proposed Investment Plan at 21-22.

### **III. DISCUSSION**

We have determined that the 2008 Annual Plan provides sufficient benefits to GMP ratepayers to allow us to approve the plan, although we have several reservations that are described below. We do so with the knowledge that this is only the first year of a five-year program and we will have the opportunity to review the efficacy of GMP's actions and evaluate

whether adjustments are needed to address our concerns prior to approving any future annual plans.

We have three concerns with GMP's proposal. First, the proposal would utilize electric ratepayer funds for non-electrical efficiency measures. Second, the proposal does not result in residential customers receiving a proportionate share of savings. Third, it is unclear whether the proposal meets the applicable test articulated by the Board in Docket 7213.

In our March 26, 2007, Order in Docket 7213, we stated that "if GMP seeks to implement energy efficiency measures directed at non-electrical uses, it will have a heavy burden of persuasion."<sup>1</sup> GMP argues that it is appropriate to utilize electric ratepayer funds for activities that provide non-electric benefits, and that such action is consistent with services delivered by Efficiency Vermont. Moreover, GMP's February 8 letter states that the proposed furnace replacement measures provide electrical benefits as "furnace motors consume significant electricity during peak winter months when electricity avoided costs are high."<sup>2</sup> Further, GMP's Residential Program would require that electrical investments be made by the customer in order to qualify for the retrofit program.<sup>3</sup> Finally, GMP contends that alternative residential electrical energy efficiency programs were adequately funded by Efficiency Vermont, and funding of such programs by GMP would therefore not meet the applicable test.

We continue to have concerns about the use of money collected from electric ratepayers to fund programs that produce benefits largely from non-electric savings. However, for two reasons we find GMP's approach to be reasonable at this time, given the lack of suitable alternative residential efficiency programs. First, GMP has shown that the programs still produce some electric savings. Second, our current approval is only for a single year. We expect that GMP will continue to explore avenues for providing its residential ratepayers with programs that focus on electrical savings.

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1. Docket 7213, Order of 3/26/07 at 39.

2. GMP February 8 letter at 2.

3. *Id.*

In Docket 7213, we required GMP to design its program to "ensure that the benefits received by each customer class accrue in rough proportion to that class's revenue"<sup>4</sup> although we agreed that "the allocation to customer classes need not be precisely in accordance with each class's revenue."<sup>5</sup> GMP argues that there are insufficient opportunities to provide cost-effective electrical energy efficiency savings for residential programs.<sup>6</sup> GMP has demonstrated that, given the requirement that its program not supplant Efficiency Vermont's programs, it cannot at this time devise a program that would ensure that GMP residential customers received benefits commensurate with revenues. Considering the system benefits that result from cost-effective energy efficiency programs, GMP's proposal appears to provide the greatest economic benefit to all GMP ratepayers at this time, even if it is not currently able to achieve complete parity between customer classes.

The final concern reflects the question of whether supplementing Efficiency Vermont's programs meets the applicable test established in Docket 7213. In that Docket, the Board stated that we would "carefully examine proposed investments to ensure that they represent incremental benefits, do not duplicate EEU efforts, and do not represent part of GMP's statutory obligation to provide least-cost energy services."<sup>7</sup> GMP's proposal limits to some extent the overlap between its programs and Efficiency Vermont's programs, by restricting participation in GMP's programs for customers in geotargeted areas and also by creating new programs that are not currently delivered by Efficiency Vermont. Where there is overlap between GMP and Efficiency Vermont's programs, it appears that GMP is supplementing, rather than supplanting, Efficiency Vermont services within GMP's service territory. Accordingly, we conclude that GMP's proposal meets the test established in Docket 7213.

The Department's February 8 letter states that it intends to work with VEIC and GMP to develop a plan and a budget for the verification process. The Department has traditionally

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4. Docket 7213, Order of 3/26/07 at 40.

5. *Id.* at 41.

6. Tr. 1/24/08 at 36 (Plunkett).

7. Docket 7213, Order of 3/26/07 at 39.

undertaken the verification process for the EEU. Continuing this arrangement for the GMP Efficiency Fund would provide an efficient process. However, the Board will require that the parties jointly file the plan and budget for Board approval.

Despite the concerns regarding the 2008 Annual Plan, we have determined that the plan provides reasonable value for GMP ratepayers. We expect that when GMP drafts its 2009 Annual Plan, it will be mindful of the concerns expressed in this Order and work to improve the plan to the extent possible.

#### **IV. CONCLUSION**

For the foregoing reasons, we approve GMP's Efficiency Fund 2008 Annual Plan.

#### **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 Efficiency Fund 2008 Annual Plan is approved.
2. Green Mountain Power Corporation and the Department of Public Service shall jointly file, for Board approval, a plan and budget for the verification process.

Dated at Montpelier, Vermont, this 14<sup>th</sup> day of March, 2008.

s/James Volz )

) PUBLIC SERVICE

s/David C. Coen )

) BOARD

s/John D. Burke )

) OF VERMONT

OFFICE OF THE CLERK

FILED: March 14, 2008

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.*