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March 30, 2007

Ms. Susan M. Hudson, Clerk
Public Service Board
Chittenden Bank Building, 4th Floor
112 State Street
Post Office Drawer 20
Montpelier, VT 05620-2701

Re: EEC Exemption Mechanism

Dear. Mrs. Hudson,

In its *Second Order Re: Energy Efficiency Charge Exemption Mechanism,* dated March 14, 2007 ("Order"), the Vermont Public Service Board ("PSB" or the "Board) required that "any participant that would like to comment on the issues raised herein regarding the use of a "rebate" mechanism as the statutorily-required exemption mechanism shall do so on or before March 30, 2007." Order at p. 7. Central Vermont Public Service Corporation ("CVPS" or the "Company") hereby files comments with the Board regarding this issue.[1]

In the Order, the PSB stated:

> At the Working Group's first meeting, one member asked whether the exemption mechanism could be designed such that a qualifying customer receives a rebate of EEC contributions from the EEU Fiscal Agent, rather than requiring utilities to modify their billing systems so that qualifying customers are billed only 30 percent of the EEC charges that they otherwise would have been billed. The Working Group discussed whether such a rebate could be considered an "exemption" as provided for in the statute, as well as whether, if it could be considered an exemption, it would be desirable to use a rebate approach. The Working Group stated that it would be helpful for the Board to clarify this issue.
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> We have never considered whether a rebate constitutes an exemption, and therefore would like to provide workshop participants with an opportunity to comment on this

[1] By kind permission of the Deputy Clerk, these comments are being provided electronically to the Board today, with hardcopies being mailed, and are being provided electronically to the Workshop Participants.

> issue before resolving it. We are particularly interested in whether such a rebate mechanism would comply with the requirement in 30 V.S.A. § 209(d)(4) that the Board design an "exemption mechanism" and, if it does, what the advantages and disadvantages would be of using such an approach.
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> Order at pp. 5, 6.

The pertinent part of V.S.A. §209(d)(4) states:

> The board, by rule or order, shall establish a process by which a customer may apply to the board for an exemption from some or all of the charges assessed under this subdivision. The board shall establish criteria by which these applications shall be measured. Any such exemption shall extend for a period of time not to exceed one year.

The Company contends that the difference between a rebate mechanism that returns funds collected from a customer back to the customer some time after collection and an exemption mechanism that never collects the funds from the customer is a distinction without a significant difference. The bottom line is that with either process, the funds are ultimately kept by the customer. CVPS believes that the legislature has provided the Board with latitude to establish a process surrounding the Energy Efficiency Charge ("EEC") exemption and the Board should use that opportunity to weigh the advantages and disadvantages of either approach with the goal of minimizing the cost of utility service for Vermont's electric customers.

We also note that 30 V.S.A. § 229 ("Rebates; exceptions") restricts any public service company from making any rate deviation through "any special rate, rebate, drawback, or other device or method." without a contract, agreement or arrangement approved by the Board. If a utility determined to grant an "exemption" to a customer to permit a reduction in tariffed rates that are otherwise applicable to that customer, we believe that such an action would likely be considered a "rebate" or "other device or method" in violation of § 229. Accordingly, it is reasonable to interpret a customer-specific "exemption" from paying a portion of a rate as the functional equivalent to a "rebate" or "other device or method" refunding a portion of the rate paid. Applying this reasoning, we believe a reasonable interpretation of the specific language of 30 V.S.A. § 209(d)(4) is that the Legislature intended to provide a reasonable mechanism for customers to be provided an "exemption" as the functional equivalent of a "rebate."

The question then is whether it is more reasonable for qualifying customers to receive rebates of EEC contributions from the EEU Fiscal Agent, rather than requiring each utility to modify its billing systems to accommodate its particular customers. We contend the EEU approach is the better choice. Each utility (absent BED) submits monthly billing data to the EEU. Since the EEC rates are equal statewide, the Company maintains that the EEU has all of the data required to calculate rebates of exempted funds and it is therefore reasonable and logical for the Board to determine that the entire exemption process should be centrally administered at the EEU level rather than require each of the state's electric distribution utilities to have a role in the process. A rebate mechanism at the EEU level will capture this efficiency and will advantage customers

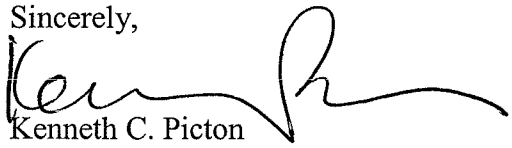
via a reduction of individual utility administrative costs and the avoidance of any costs associated with required billing system modifications.

The Company contends that the only disadvantage identified is the loss of use of the funds by the customer during the time between payment from the customer and the return of those funds to the customer. CVPS believes this loss of the time value of money will be quite small for the vast majority of customers who may qualify for this exemption mechanism. The Board could mitigate this potential disadvantage further by requiring the EEU to refund the portion of the EEC funds collected on a quarterly basis or some shorter timeframe.

In conclusion, the Company urges the Board to exert its authority under the legislation to (1) incorporate a rebate mechanism as part of the overall exemption process permitted under 30 V.S.A. §209(d)(4) and (2) determine that the advantages of a centralized rebate mechanism administered at the EEU level outweighs the disadvantages of individual utility involvement and administration.

The Company thanks the Board for the opportunity to comment on this issue and looks forward to implementing a successful EEC exemption program regardless of the outcome of this particular issue.

Sincerely,



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