CONSERVATION LAW FOUNDATION

October 11, 2010

Susan Hudson, Clerk
Vermont Public Service Board
112 State St., Drawer 20
Montpelier, VT 05620-2701

Re: EEU-2010-06 – EEU Demand Resources Plan
CLF reply comments on savings scenarios to be considered

Dear Ms. Hudson:

Conservation Law Foundation (CLF) offers the following reply comments on the scenario options proposed for development in this proceeding. In general terms, CLF is concerned that a number of the proposed scenarios will not provide information that will be of any value in determining what budget level will acquire all reasonably available cost effective energy efficiency savings. Nearly all of the proposed scenarios are driven by artificial or arbitrary parameters. These include the "flat rate" constraint in the DPS proposal, the "percentage savings" in both the DPS and the VEIC proposal, and the status quo. Each of these would evaluate a scenario with a specific limitation that is not at all based on the statutory criteria.

The purpose of the scenario exercise must be to develop guideposts that represent a range of possible solutions. They must be based on the statutory criteria. If they are not, they will fail to provide worthwhile information to guide decisions. While it may be useful to prepare a status quo scenario for comparison purposes and, perhaps, one scenario that reflects an incremental increase over the status quo, the other proposals add nothing to the Board's information base for making decisions. Furthermore, without a scenario reflecting full attainment of the statutory goal within a reasonable time frame, the Board will not have a clear understanding of what would be needed to reach that goal.

Based on the scenarios presented and the above points, for electric efficiency, CLF supports pursuing: 1) The DPS status quo; 2) The VEIC 3% energy reduction and 3) The CLF 100% cost-effective resource plan. For heating efficiency, CLF supports pursuing the additional scenario that was recommended by VEIC and focuses on meeting statutory building efficiency goals.

CLF's specific comments on the scenarios offered follows:

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I. Electric Efficiency

1. DPS economically achievable flat rate proposal.

This proposal fails to provide useful information for developing a budget. It places artificial and arbitrary limits on the evaluation. It bears no relation to the statutory goals. Because of the "flat rate" feature, it precludes acquiring certain cost effective efficiency savings.

In particular, the addition of the flat rate constraint does not allow this scenario to accommodate changes over time. It assumes a flat rate when in fact changes in technology, economic growth and avoided costs would all be changing. The "flat rate" feature also precludes acquiring the resources that will deliver the greatest net savings. It is artificially and arbitrarily limited to a specific, flat budget that bears no relation to the statutory goals or the savings available.

The limitation on this scenario to the "achievable" energy efficiency is also a problem. Many factors go into determining what is "achievable." There is no statement about how this would be determined, and there is likely little agreement on what should be included or excluded in this evaluation. The scenario exercise would be better to evaluate specific proposals where the parameters are well understood. Including the DPS determination of "achievable" – especially when it is not described or evaluated in any way – provides a far too limited evaluation.

The DPS flat rate proposal also fails to allow for the possibility of amortizing costs, or evaluating other financing means to address rate impacts. The "flat rate" feature is also arbitrary and not linked to either supply or demand. On the supply side, while we have long term contracts that levelize costs and rates, we don't have supply contracts that assume a set need or demand and then provide a flat distribution of this over time.

The effect of the flat rate constraint is to unreasonably separate the level of efficiency effort from the actual savings that are available. It diminishes the ability to meet the legal requirement to set the budget at a level to acquire available lower cost efficiency, including efficiency with the greatest net savings, because of the limitation of the flat rate. For example, if the budget followed this scenario, savings that would be available and cost effective during periods of high growth in new buildings might not be able to be acquired because the budget would be limited by the flat rate. As a result the budget would not be set at a level that would allow acquiring all reasonably available cost-effective energy efficiency savings.

2. DPS percent savings

In concept, this may be good, but since it would require another process to determine the percent, it is not helpful at this time. No suggestion is made as to how the percentage would be determined. Without some definition, it is both an arbitrary and artificial percentage. In contrast, the proposal forwarded by VEIC with a 3% savings each year, defines and justifies the percentage based on current experience and the reasonable opportunity to meet a higher level of power needs with energy efficiency.

3. DPS status quo

This proposal is also not based on statutory requirements. It is helpful only in providing a very conservative base line and a snapshot of what exists now.

4. VEIC 3% energy usage reduction
Compared to the DPS percentage savings, this proposal provides a good measure of where Vermont is likely headed given current practices. It provides for a moderate level of growth that is likely given future supply costs.

5. CLF 100% cost effective
In combination with two of the other proposals, this presents a necessary scenario to evaluate. It provides a reasoned means to achieve both cost and climate goals in the next 20 years. It allows for changes over time and adaptability of the budget to meet goals and make investments when and where they will provide the most benefit. It presents a reasonable, but ambitious scenario. The cost-effectiveness limitation ensures that the savings evaluated will be lower cost than supply resources and will provide a reasonable guidepost for setting the budget.

II. Heating & Process Fuel Efficiency

1. DPS revenue based
This provides a very bare minimum evaluation for budget purposes. It fails to provide any useful information that would be helpful over a twenty year time horizon, as it is limited to the existing available budget, which is likely to change.

2. VEIC building efficiency goals based
This provides helpful additional information and analysis as it is reasonably focused on the required statutory goals for building efficiency. This would be a helpful scenario to review as it provides information helpful in determining what the budget should be to meet statutory requirements.

For developing the future budget and meeting statutory goals and requirements, CLF supports pursuing the following scenarios in this proceeding:

1) The DPS status quo;
2) The VEIC 3% energy reduction and
3) The CLF 100% cost-effective resource plan.

For heating efficiency, CLF supports pursuing the additional scenario recommended by VEIC that focuses on meeting statutory building efficiency goals

Thank you for your consideration.

Sincerely,

Sandra Levine

cc: Service List (by email)