May 21, 2014

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

Re: EEU-2013-01 Budget Recommendations

Dear Ms. Hudson:

Conservation Law Foundation (CLF) and Vermont Public Interest Research Group (VPIRG) continue to strongly support the Board approving a budget for Vermont's Energy Efficiency Utilities (EEUs) that will ramp up to and maintain the acquisition of 3% annual efficiency savings as modeled in Scenario #3. As explained in our comments of April 16, 2014, a budget that will acquire the 3% annual savings compared to annual load is fully justified and will acquire the reasonably available cost effective energy efficiency savings as required by Vermont law. 30 V.S.A. § 209.

CLF and VPIRG offer the following additional comments in support of this recommendation.

Savings Level Supported by Comprehensive Energy Plan

Vermont's Comprehensive Energy Plan (CEP) calls for pursuing "electric efficiency measures designed to achieve savings of up to 3% of the electric demand annually." (CEP 2011, vol 1 pg 5). The CEP notes that "Energy and conservation *must be the first priority* for any comprehensive energy plan." *Id*. (emphasis added).

In light of the CEP recommendation, a budget that over the next three years ramps up to a level that will acquire 3% savings annually is supported by the CEP. A budget at this level will "achieve saving of up to 3%" during this next budget cycle. During the workshop on 5/14/14, the DPS suggested that a savings level lower than 3% is supported by the CEP because the CEP only calls for savings "up to 3%." (Tr. 5/14/14 at 70 (Cotterill)).[1] The DPS interpretation fails to meet the CEP's overall goals as it would support any level of savings below 3%. The CEP did not establish the 3% level as a cap, and suggested that savings acquired from efficiency should increase. With current savings levels just over 2%, it makes sense to increase efficiency savings to a level that within the next budget period will acquire 3% annual savings. The 3% savings level is consistent with the pace of increasing energy efficiency that is needed to meet Vermont's efficiency and greenhouse gas reduction goals.

An energy efficiency budget that will ramp up to acquiring 3% savings annually also advances the CEP goal of meeting 90% of the state's energy needs with renewable power by 2050. (CEP vol. 1 at 3). Increased energy efficiency savings reduces the overall level of energy needed and makes it easier to reach the 90% goal. As recognized by the CEP, the 90% goal is ambitious but achievable and represents the level of renewable energy needed to meet the state's greenhouse gas reduction goals, and "eliminate Vermont's reliance upon oil by mid-century." *Id.* The DPS's budget recommendation does not specifically address the CEP 90% renewable goal.

[1] The transcript on page 70, line 22 should read: "… acquire up to …" to reflect the language in the CEP to which it refers.

(Tr. 5/14/14 at 70 (Cotterill)). Incorporating the CEP 90% goal into the budget further supports increasing the budget to a level that will acquire 3% savings.

Rate Impacts
An efficiency budget that will ramp up to acquire 3% annual savings is achievable with limited impact on rates and significant bill and societal cost savings. A budget acquiring 3% efficiency savings increases the savings acquired in the short term and at the time that the savings are most needed and valuable to address climate change and the volatility of future energy costs. In light of this the pennies per kwh with an overall impact less than 5% over the 20 year time horizon, and less than 10% in the short-term is fully justified. The rate and bill impacts are one factor and fail to monetize the broader societal benefits of increasing energy efficiency. Since the 3% annual savings continues to return societal net benefits compared to costs of 2.34 the moderate rate impacts, which are consistent with previous increases in the energy efficiency charge, are justified.

Ability to meet higher efficiency savings
The potential study demonstrates that there are significant savings still available even with a budget that ramps up to a 3% savings level. In the past, Efficiency Vermont and Burlington Electric Department have nearly doubled their efficiency budgets and have consistently delivered cost effective savings with increased budgets. Deeper savings are available and if provided with a budget to acquire these savings, both EVT and BED should be able to meet these targets. Their past performance has shown the ability to deliver savings at increased budget levels. As explained in recent filings, the limited over-collection represents some projects that are "in the pipeline." The overall need to significantly reduce greenhouse gas emissions and deliver cost effective savings to customers demands that the energy efficiency utilities deliver the deeper savings available with a budget set to acquire 3% annual savings. As recognized by VEIC, a higher budget level will be a "challenge" but VEIC in the past has been able to meet these challenges and its initial recommendation identified how it could do this. Additionally, the fact that this level of savings is needed to meet efficiency and climate change goals requires our efficiency utilities to step up and meet the challenge.

Thank you for your consideration of these comments.

Sincerely,

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cc: Service List (by email)