

VERMONT SYSTEM PLANNING COMMITTEE

February 1, 2008

Mrs. Susan Hudson, Clerk
Vermont Public Service Board
112 State Street
Montpelier, Vermont 05620

Re: Recommendations of the VSPC regarding Paragraph 61 of the Docket 7081 MOU, pursuant to the Board's letter of November 29, 2007.

Dear Mrs. Hudson:

On November 29, 2007, the Public Service Board requested input from the Vermont System Planning Committee (VSPC) regarding the scope of Energy Efficiency Utility (EEU) services under Paragraph 61 of the Docket 7081 Memorandum of Understanding. On January 15, 2008, the VSPC requested an extension, which was subsequently granted by the Board, to February 1, 2008, for filing its comments. By this letter, the VSPC provides its substantive response.

The Board has requested a recommendation from the VSPC on the scope of EEU activities under Paragraph 61, which reads in part:

Commencing May 1, 2008, and by May 1 of every third year thereafter, the EEU shall provide the Board, Department, and Vermont Utilities with estimates, looking 20 years ahead, of DSM [demand side management] savings expected to be achieved from System-wide Programs. These estimates shall be based on the expected budget levels and service types for the System-wide Programs at the time of the estimate. *To the extent practicable, such estimates shall be differentiated by DU service territory and by such regions of the state as the Board may direct after consultation with the DPS and the VSPC.* Such estimates shall include information on their level of certainty and shall state the cost assumptions used in the estimate. [emphasis added]

Under the auspices of the VSPC Transmission and Forecasting Subcommittees, the utilities have met and developed an approach to the issue of geographical differentiation that the participants believe is best suited to the current point in the process. The participants see the development of load forecasts and DSM forecasts as an iterative and interdependent process. The DSM forecast that the EEU is due to file on May 1, 2008, is by no means the last step in this process, and should not be expected to differentiate geographically to the farthest possible extent.

On the basis of this assumption, the VSPC has developed a regional breakdown of the state into sixteen load zones that are shown on the attached state map. The zones group customers based primarily on logical characteristics of the transmission and distribution system, rather than on distribution utility service territory. The choices about where to draw the load zone boundaries attempt to strike a balance between ensuring the resulting forecasts are meaningful and useful for transmission planning purposes on the one hand and ensuring that the scope of geographical differentiation is feasible within the time available and with limited additional cost or burden to either the EEU or the distribution utilities.

The distribution utilities have indicated that they can provide to the EEU the relevant customer information differentiated by these load zones no later than March 1, 2008. The Committee understands that the EEU already has the customer billing and account information needed to develop its estimates once the customer load zone information is provided by the utilities. Once the utilities have “mapped” their customer accounts to the load zones, the EEU will have the necessary information to complete a statistically-based forecast with the level of geographical differentiation the VSPC has proposed.

With regard to cost, the Committee does not expect the approach it is recommending to increase significantly the cost of EEU DSM forecasting under paragraph 61. This expectation of limited impact is based on our understanding that the analysis the EEU will use for forecasting by zones is not ambitious, involving a relatively simple weighting within each zone based on the percentage of each customer class within the zone. This appears to be a data processing exercise, rather than a deeper analysis of economic or other trends within the sub-state regions. Time and experience will inform the value of more or less detail and rigor in future iterations of the planning process.

The final question that has been raised at this juncture is what confidence level the EEU should provide in its forecast. Given the iterative nature of forecasting, and this early stage in the new planning process, the VSPC does not believe that it is necessary to require the EEU to analytically derive forecast quantities and costs to meet specific confidence levels. Rather, the VSPC recommends that the EEU tell us the confidence level of its forecast and identify the key uncertainties associated with that forecast. Further the EEU should discuss the relative magnitudes and the extent to which the confidence levels and uncertainties are inter-related. We think it makes sense to tap the EEU’s experience and unique perspective regarding what are the key uncertainties affecting how much energy efficiency will be achieved, without requiring the EEU to perform significant new analysis. Examples of key uncertainties might include: baseline efficiency trends, large individual customer accounts within the zone, weather-related factors, general economic conditions, or changes in the housing market that may impact the available efficiency resource acquired through its programs. It would also be constructive to know the EEU’s view regarding the extent to which the “supply curve” for energy efficiency in Vermont is expected to be upward sloping – that is, the extent to which the incremental cost of acquiring additional energy efficiency above the forecasted amount would cost more/less than the average cost.

The Board also asked for input either from the VSPC as a whole or from the individual members regarding the role of the EEU as a non-voting participant of the VSPC. While it is too early in the VSPC formation to have a completely clear sense of how the group will function when it is more mature, there are certain roles for the EEU that are already evident. We foresee the need for the EEU to participate in all full VSPC meetings, as well as the Energy Efficiency & Forecasting Subcommittee, the NTA Screening Subcommittee and the Public Participation Subcommittee. At present, the VSPC is anticipating quarterly meetings, and the subcommittees have been meeting as needed between quarterly meetings, which has generally involved at least two meetings of each group. Of course there is often work between meetings required for the productivity of the process. It may also be appropriate for the EEU to participate on project-specific subcommittees that are formed to resolve target area reliability deficiencies. Presently the EEU has not participated in any such subcommittee, but the need may arise as the VSPC ramps up its activities.

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Please let me know if the Board requires further information on these matters from the VSPC.

Sincerely,

A handwritten signature in black ink, appearing to read 'Deena L. Frankel'. The signature is fluid and cursive, with a large initial 'D' and 'F'.

Deena L. Frankel
On behalf of the Vermont System Planning Committee

Attachment