

Memo

To: Ed McNamara
Ann Bishop
Andrea McHugh
Mary-Jo Krolewski

From: Blair Hamilton

CC: Michael Wickenden
Walter TJ Poor

Date: July 14, 2010

Re: Demand Resources Plan and Forecast 20 Budgeting

The June 20, 2007, Public Service Board order approving the Docket 7081 Memorandum of Understanding (MOU) specifies certain responsibilities for Efficiency Vermont to undertake in support of the Vermont Systems Planning Committee (VSPC). Specifically, these responsibilities include participation in VSPC proceedings as a non-voting member, and development of 20-year estimates of demand-side load reductions to be used in the development of the triennial Long-Term Transmission Plan. These responsibilities are codified in the current Efficiency Vermont contract Attachment L ("2009-2011 Scope of Work").

To date, Efficiency Vermont has been an active participant in VSPC proceedings, and has completed the first 20-year forecast of demand-side load reductions. As provided for in the Docket 7081 MOU, these activities are being funded through a separate energy efficiency charge (EEC) adder, shown in the 2009-2011 Efficiency Vermont contract Attachment S ("Budget") as follows:

- 2009: \$ 96,300
- 2010: \$ 3,300
- 2011: \$ 84,900
- TOTAL: \$184,500

As Efficiency Vermont transitions from a contract structure to an Order of Appointment structure, pursuant to the Board's findings in Docket 7466 (EEU restructuring), it is timely to consider the impact of that transition on forecasting activities undertaken by Efficiency Vermont. In particular, the Long-Term Demand Resource Plan (DRP) anticipated under the Appointment structure is a new, triennial process that in many ways provides an opportunity to integrate Efficiency Vermont's planning and budgeting activities into the forecasting activities required to meet Docket 7081 obligations.

The DRP will provide year-by-year savings goals and budgets for electricity for a 20-year period, and year-by-year savings goals and budgets for a 10-year period for heating and process fuels. Assuming VEIC and BED are awarded the initial EEU Orders of Appointment, the first DRP proceeding is expected to commence in the fall of 2010, and be completed by May 2011,

allowing Efficiency Vermont to undertake necessary planning activities to begin service delivery consistent with the DRP in 2012.

Although the purposes are different, many aspects of the DRP overlap with the requirements of the 20-year forecast for the VSPC. Both require detailed analysis of current and emerging technology, market conditions, program designs, participation rates, and estimates of costs and savings for each year of the next twenty years. Indeed, to take advantage of potential synergies, the forward-going calendar for conducting these two activities has been designed to have these two triennial activities conducted at the same time. To begin this alignment, the VSPC has agreed to have the next 20-year forecast from VEIC delivered in May 2011, which is coincident with the planned completion date for the first DRP process.

There are many similarities in the work required to complete the VSPC forecast work and the DRP; however, there are also some important differences. The VSPC forecast work requires extensive coordination with the Vermont Electric Power Company (VELCO), the utilities, and their forecasting contractor (Itron) to assure that assumptions and methods are consistent and fit together in a way that neither overlaps nor leaves gaps in accounting for future efficiency impacts. This VSPC work also requires breaking down a statewide forecast of load by designated load zones.

The DRP also involves a considerably more extensive planning and budgeting process from that which Efficiency Vermont would have gone through under the contractual model. Accordingly, VEIC's participation in the DRP process in 2010-2011 will have to incur additional costs that were not anticipated in setting the 2009-2011 Efficiency Vermont contractual budget. This is work that will be required as part of the DRP process, and which will be over and above what has been planned and budgeted for in the Efficiency Vermont 2009-2011 contract. Although some of these items would have been conducted, at a lower level, as part of a contract extension process, under the contractual model it would have been at VEIC's expense (not chargeable to the contract). Under the Appointment model, it is our understanding that participation in the DRP would be part of the reasonable costs of an EEU, to be paid for by ratepayers, just as similar costs incurred by distribution utilities are treated in various proceedings before the Board. Thus, incremental costs that we suggest will be incurred, and should be included in the Efficiency Vermont budget for 2010-2011, include:

- Development of multiple scenarios of 20-year, year-by-year values for statewide demand-side electricity resource acquisition savings goals and budgets;
- Development of non-resource acquisition budgets and goals by calendar year for a 20-year period;
- Year-by-year values for savings goals and budgets for heating and process fuels by calendar year for a 10-year period;
- Participating in the development and setting of forward-going performance and compensation elements, including Minimum Performance Requirements, Quantifiable Performance Indicators, and fees;
- Calculation of rate and bill impacts; and
- General participation in the DRP process before the Board.

We would note that the DRP adoption process is being conducted for the first time and is expected to be somewhat more time-consuming than might be the case in the future. It will also allow for any interested party to present proposals and recommendations, and for multiple rounds of reply and comment in all workshops and hearings convened to address issues of concern.

In this context, VEIC has two specific recommendations for modifying the funding of these Efficiency Vermont activities.

1. Instead of funding the VSPC forecasting activities through a continuation of the stand-alone VSPC EEC adder, VEIC recommends that on a forward-going basis, these costs be integrated into the overall Efficiency Vermont budget as a non-resource acquisition scope of work.

2. Under this new funding structure, VEIC requests a budget of an additional \$100,000 to cover the previously unbudgeted costs of participating in the DRP process through the end of the current 2009-2011 contract period, with a corresponding reduction in resource acquisition goals (no change in overall EEU budget for this period). Details are provided in the table below. As part of this request, VEIC would not request any additional funding be provided by the Docket 7081 parties, owing to higher-than-expected costs for production of the first Forecast 20 report.

ACTIVITY	ESTIMATED COST
Develop multiple scenarios of year-by-year values for statewide demand-side electricity resource acquisition savings goals and budgets	\$20,000
Develop non-resource acquisition budgets and goals, by calendar year, for a 20-year period	\$10,000
Develop year-by-year values for savings goals and budgets for heating and process fuels, by calendar year, for a 10-year period	\$30,000
Participate in setting performance-based compensation, Minimum Performance Requirements, Quantifiable Performance Indicators, and operations fees	\$15,000
Calculate rate and bill impacts	\$10,000
Other costs of general participation in DRP proceedings	\$15,000
TOTAL	\$100,000

Estimated costs are based on an Efficiency Vermont blended labor rate of \$85 / hour.