

VERMONT SYSTEM PLANNING COMMITTEE

March 30, 2010

Susan Hudson, Clerk
Vermont Public Service Board
112 State Street
Burlington, VT 05620

Re: Memorandum of Understanding (MOU)
Docket No. 7081
Attachment F Modification Request

Dear Mrs. Hudson:

The purpose of this letter is to request Public Service Board approval for certain actions by the Vermont System Planning Committee (VSPC) to fulfill a requirement of the Memorandum of Understanding in Docket 7081 (MOU). Attachment F of the MOU requires Vermont utilities to undertake the following activities by July 1, 2010:

- 1) VSPC to sponsor, via an RFP, a statewide [demand-side management] DSM potential study including efficiency measures & CHP/customer sited generation broken down by select area load zones within Vermont. This would either be new or a revision to that done for the DPS. The study results would be used in both the preliminary and detailed NTA analyses.

This letter seeks approval of the Board to accomplish a portion of this requirement through a sole source contract between VELCO (on behalf of the VSPC) and the Vermont Energy Investment Corporation (VEIC), rather than by a Request for Proposal (RFP). This approach is being proposed to achieve greater cost effectiveness and to maximize coordination between the VSPC and Efficiency Vermont (EVT). The signatories to the Docket 7081 MOU have expressed their support for this action. It is the hope of all signatories that the Board can and will approve this approach without the requirement for a formal modification of the MOU. If the Board concludes formal modification is necessary, one of the signatories will formally petition for modification of the MOU. Detail follows supporting the action for which the VSPC is seeking Board approval.

Initially, the VSPC analyzed the study requirement and identified three components necessary to fulfill the requirement. The components include potential studies of:

1. Non-budget-constrained statewide DSM broken down by select area load zones.
2. Combined heat and power (CHP).
3. Customer-sited generation.

The MOU specifically requires the studies be accomplished via an RFP. However, research by the VSPC has determined that Component 1 may be accomplished at less cost and at least equal quality through an alternative to an RFP. Specifically, the VSPC proposes to sole source a contract with the VEIC, in its role as Efficiency Vermont contractor, as a limited additional scope of work to the recently-completed Forecast 20. Components 2 and 3 would be accomplished by issuing an RFP as required by the MOU.

Component 1, the budget-constrained statewide DSM potential study, is closely related to EVT's Forecast 20. Forecast 20 is a budget-constrained statewide DSM potential study broken down by select area load zones. VEIC has indicated that an additional scope of work can be added to Forecast 20 to identify all cost-effective DSM potential – without budget constraints – for less than \$35,000, and that this additional component can be completed within 90 days of project commencement.

The VSPC, through its Energy Efficiency & Forecasting Subcommittee, conducted informal inquiries with potential consultants and reviewed similar past research to assess the likely cost if Component 1 were to be accomplished through an RFP. For comparison, the previous Department of Public Service (DPS) DSM potential study conducted cost approximately \$100,000. The informal research led the VSPC to conclude that the cost of such contracting would likely be substantially greater than a sole source contract to VEIC.

The VSPC also considered funding expansion of the scope of work of the next DPS unconstrained statewide DSM potential study. A study “piggy-backed” on the DPS study would require VSPC funding for breaking the statewide potential study into select area load zones. The costs of this approach would be substantially less than contracting for new DSM potential study via an RFP, but would likely be greater than the approximately \$35,000 for VEIC to expand the scope of work of Forecast 20. In addition, the time line associated with expanding the scope of the DPS potential study could extend beyond the July 1, 2010 commencement date required by the MOU.

Expanding the scope of Forecast 20 has the further benefit of increasing coordination among the VSPC, the utilities and EVT. In addition, consistency between the two efforts will be valuable in comparing the results to the already completed Forecast 20. In any case, contracting by VELCO on behalf of the VSPC for completion of the DSM potential studies will be overseen by a subgroup of the Energy Efficiency & Forecasting Subcommittee, further enhancing coordination and collaboration among the affected utilities and other stakeholders.

On the basis of the foregoing rationale, the VSPC respectfully requests that the Board give its approval for the VSPC to proceed with a sole source contract to VEIC for Component 1 of the statewide DSM potential study required by the Docket 7081 MOU, notwithstanding the

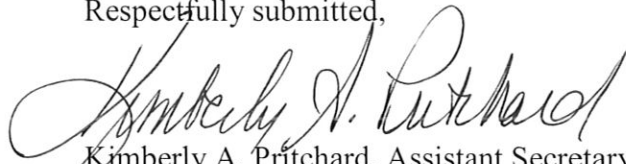
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provision of Attachment F, subparagraph (1) requiring an RFP. Should the Board indicate that a formal process for modification of the MOU is needed, the parties will file a formal petition so requesting. However, given the concurrence of the Docket 7081 signatories, we hope to minimize the process for moving forward.

Respectfully submitted,



Kimberly A. Pritchard, Assistant Secretary
Vermont System Planning Committee

cc. Docket 7081 Service List
Vermont System Planning Committee participants