

State of Vermont**Department of Public Service**

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July 6, 2012

Susan M. Hudson, Clerk
Vermont Public Service Board
112 State Street
Montpelier, VT 05620-2701

Re: EEU-2010-06: Vermont System Planning Committee Status Update on Evaluation of Appropriate Funding Sources for Geographic Targeting of Energy Efficiency

Dear Mrs. Hudson:

In its February 16, 2012 *Order Re Geographic Targeting of Energy Efficiency Utility Services in 2012-2014; Motion for Reconsideration and Clarification*; the Public Service Board (Board) requested that the Vermont System Planning Committee (VSPC) provide “a recommendation or status update on its evaluation of appropriate funding sources and budgets for [Geographically Targeted (GT)] areas by July 6.” This letter, issued by the Energy Efficiency and Forecasting (EE&F) Subcommittee on behalf of the full VSPC, serves as a status report in fulfillment of that request.

The EE&F Subcommittee convened to discuss the appropriate funding mechanisms for GT energy efficiency services, considering various options including but not limited to area-specific Energy Efficiency Charge (EEC) adders as contemplated in the Docket No. 7081 MOU, funding via the statewide energy efficiency budget, and some hybrid solutions. The EE&F Subcommittee has realized that our analysis will be more effective if we first quantify the portion of the benefits that accrue from GT services flowing to the transmission level (thereby flowing to all utility ratepayers) and the portion of benefits flowing to the sub-transmission and the distribution level (thereby flowing to ratepayers of Affected Utilities). This information would allow us better understand and address equity issues associated with various funding options.

As the Board is aware, a working group has been established in EEU-2011-02 that is considering the transmission and distribution (T&D) component of avoided costs. As described in its status report filed on June 28, that working group is seeking to differentiate the T&D component based on constraints or load growth areas within the state. The process to develop values that may be



recommended pursuant to the EEU-2011-02 process could be useful to considering equity issues as described above. Thus, the VSPC proposes that it provide ultimate funding mechanism recommendations after EEU-2011-02 issues are more fully vetted. As such, the VPSC proposes that a recommendation or a second status report be provided to the Board on this issue by September 28, 2012.

Please contact me with any questions,

A handwritten signature in black ink, appearing to read 'Walter (TJ) Poor', with a long horizontal flourish extending to the right.

Walter (TJ) Poor
Department of Public Service,
On behalf of the Vermont System Planning Committee