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State of Vermont
Public Service Board

MEMORANDUM

To: Parties in PSB Docket No. 7081 - VELCO IRP Investigation
Efficiency Vermont

From: Susan M. Hudson, Clerk of the Board *SH*

Re: Updated Guidance to the EEU Regarding Planning Assumptions for Forecast 20

Date: January 27, 2009

Pursuant to Paragraph 61 of the Memorandum of Understanding that was approved by the Public Service Board ("Board") in its June 20, 2007, Order in Docket 7081, the Energy Efficiency Utility ("EEU") prepares a 20-year forecast of efficiency savings expected to be achieved from system-wide efficiency programs ("Forecast 20").

On May 29, 2008, after considering comments by interested parties, the Board informed the EEU that, for the purpose of preparing Forecast 20, it should assume an EEU budget of \$30.75 million in 2008 and escalate that amount by inflation in future years.¹ Subsequently, on August 29, 2008, the Board set budgets for the 2009-2011 period of \$30.75 million, \$35.4 million, and \$40.7 million, respectively.²

On December 30, 2008, the Village of Northfield Electric Department ("Northfield") filed a letter requesting that the Board provide updated guidance to the EEU regarding planning assumptions for Forecast 20. Specifically, Northfield asked whether the EEU should continue with the guidance provided on May 29, or whether the EEU should assume current budget levels.

On January 6, 2009, a similar request was filed by the Vermont Department of Public Service ("DPS"). The DPS's letter stated that the following organizations or individuals support the DPS's request: Central Vermont Public Service Corporation ("CVPS"); Green Mountain Power Corporation; Vermont Electric Cooperative, Inc.; Vermont Electric Power Company, Inc. ("VELCO"); Vermont Marble Power Division of

¹Memorandum from Susan M. Hudson, Clerk of the Board, to the EEU Service List, dated May 20, 2008, regarding 20-year energy efficiency forecast assumptions.

²Order of 8/29/08 at 27.

OMYA; Village of Enosburg Falls Water & Light Department; Village of Johnson Water & Light Department; Village of Ludlow Electric Light Department; Village of Lyndonville Electric Department; Village of Northfield Electric Department; Washington Electric Cooperative, Inc.; Jenny Cole, Vermont System Planning Committee Public Member representing residential customers; James Moore, Vermont Public Interest Research Group and Vermont System Planning Committee Public Member representing environmental protection.

On January 20, 2009, the DPS filed a letter recommending that the Board instruct the EEU to use the actual 2009, 2010, and 2011 budgets established by the Board when preparing Forecast 20. The DPS further recommended that, for the purpose of preparing Forecast 20, the 2011 budget should be escalated by inflation to forecast efficiency resource acquisition in the years 2011-2027. Finally, the DPS recommended that the inflation rates used be consistent with the inflation rate used in the development of VELCO's long-range plan load forecast.

On January 21, 2009, CVPS filed a letter supporting the DPS's recommendation.

No other party or interested person filed comments.

The Board has asked me to inform you that it has accepted the DPS's recommendation regarding EEU program budgets to be used in the preparation of Forecast 20. The EEU shall use the actual 2009, 2010, and 2011 budgets previously approved by the Board. In addition, the EEU shall escalate the 2011 budget by inflation to develop budget estimates for 2012-2027.³ The inflation rates used by the EEU shall be consistent with the inflation rate used in the development of VELCO's long-range plan load forecast.

cc: Deena Frankel, VELCO, for the Vermont System Planning Committee
Michael Wickenden, EEU Contract Administrator

³The DPS recommended that the 2011 budget be escalated by inflation to determine the 2011-2027 budgets. The 2011 at the beginning of the range of years in the DPS's letter appears to be a typographical error. Since the Board has previously determined the EEU's 2011 budget, and the DPS recommended that this actual budget be used for 2011, there is no need to escalate a previous year's budget by inflation to arrive at an estimated 2011 budget.