CONFIDENTIAL

LEGISLATIVE BILL REVIEW FORM: 2014

Bill Number: S.302 and H.654 **Name of Bill:** Energy; public service; energy efficiency; energy efficiency charge; waiver

Agency/ Dept: Public Service Department **Author of Bill Review:** Brian Cotterill

Date of Bill Review: January 23, 2014 **Status of Bill: (check one):**

___X__Upon Introduction **_____ As passed by 1st body** **_____As passed by both bodies** **_____ Fiscal**

Recommended Position:

_____Support **___X__Oppose** **_____Remain Neutral** **_____Support with modifications identified in #8 below**

Analysis of Bill

1. Summary of bill and issue it addresses. *Describe what the bill is intended to accomplish and why.*
The bill(s) are intended to exempt an industrial class ratepayer from the energy efficiency charge if the Public Service Board finds that the ratepayer has implemented, or has in place a program, that will result in the implementation of all reasonably available, cost-effective energy efficiency measures. The Department is not aware of any industrial customer who has fully implemented all cost-effective efficiency measures (including any such measures to be developed in the future), so the bill would apply essentially only to customers with an efficiency program.

2. Is there a need for this bill? *Please explain why or why not.*
This bill is not needed because the Customer Credit Program (CCP) and Self Managed Energy Efficiency Program (SMEEP) already exist as two alternative paths for industrial ratepayers to self-manage energy efficiency programs.

The CCP allows commercial and industrial customers who meet certain criteria to use some of the funds they pay (or would pay) via the EEC to invest in their own cost-effective energy efficiency projects. The SMEEP allows an eligible customer to be exempt from the EEC provided that the customer commits to spending an annual average of no less than $1 million over a three-year period on energy efficiency investments.

3. What are likely to be the fiscal and programmatic implications of this bill for this Department?
The bill would require another self-managed efficiency program to be designed and implemented. Fiscal impacts would include Public Service Department staff time and resources to develop and manage a program. Program management would likely include but not be limited to program design, application review, monitoring eligibility, evaluation of performance and reporting.

Evaluation of front-end eligibility and back-end performance would be particularly burdensome requiring an applicant to provide supporting documentation that it has either implemented or has a plan to implement all reasonably available, cost-effective energy efficiency. Documentation of past investments may indicate that all opportunities for investing in efficiency have been exhausted, however, pasts investments do not consider future opportunities for energy efficiency made possible by changes in facility infrastructure, advancements in energy efficient technology, changes in the price of energy and the avoided cost of energy, and changes in future production volume. Similarly, plans for implementing all reasonably available, cost-effective energy efficiency would be difficult to evaluate given inevitable changes in the factors above that determine cost-effectiveness.

Notwithstanding past investments, if an industrial has plans to implement all reasonably available, cost-effective energy efficiency it may likely be well suited for one of the existing self-managed programs such as the CCP or SMEEP.

4. What might be the fiscal and programmatic implications of this bill for other departments in state government, and what is likely to be their perspective on it?

The bill would require staff time, resources, and coordination with the Public Service Board (PSB). Coordination related to program design, application review, monitoring, evaluation, and reporting would likely be required.

The PSB may perceive the bill as unnecessarily challenging to implement due to difficulties evaluating eligibility of applicants and performance of participants. The PSB may also view assessing applicant eligibility necessarily subjective given the dynamic nature of changing facility infrastructure, advancements in energy efficient technology, changes in the price of energy and the avoided cost of energy, and changes in a particular industrials future production volume; all which factor into determining cost-effectiveness for energy efficiency investments.

5. What might be the fiscal and programmatic implications of this bill for others, and what is likely to be their perspective on it? (*for example, public, municipalities, organizations, business, regulated entities, etc*)

Energy Efficiency Utility (EEU) budgets are set every three years and the EEC is established annually based on the three year Board approved budgets. Because EEU budgets are based on the amount of all reasonably achievable energy efficiency potential, adding a self-managed energy efficiency program like the bill suggests would not necessarily reduce the total EEC needed for a given year. Consequently, if certain industrials were exempt from the EEC then other industrial customers may contribute more than they otherwise would. Industrials that are lagging in efficiency investments and perceive themselves as ineligible may oppose the bill for this reason.

6. Other Stakeholders:

6.1 Who else is likely to support the proposal and why?

6.1.1 Associated Industries of Vermont may support this proposal because it would exempt certain industrial customers from the EEC.

6.1.2 Certain industrials that have participated heavily in electric energy efficiency programs, such as Rock Tenn (a manufacturer of packaging and paperboard products in Franklin County), may support the bill because they are likely to have a high penetration of efficient equipment and may perceive limited additional opportunities.

6.2 Who else is likely to oppose the proposal and why?

6.2.1 Associated Industries of Vermont may oppose this proposal because it may require certain industrial customers to contribute disproportionately to the EEC.

6.2.2 Other industrials with higher than average electricity consumption and low past participation in efficiency programs may oppose the bill because of concerns about ineligibility and, consequently, potentially subject to contributing disproportionately to the EEC relative to others in this rate class.

6.2.3 Ski resorts operate on relatively thin margins, profitability can be contingent upon snow making operations that enable the ski season to be extended as long as possible. Ski resorts with intensive snow making operations (energy efficient or not) and numerous remaining opportunities for energy efficiency investments in other facets of their facility operations may oppose the bill because of concerns about potentially being subject to contributing disproportionately to the EEC relative to others in this rate class.

7. Rationale for recommendation: *Justify recommendation stated above.*

The Public Service Department opposes the bill for the following reasons…

1) Substantive challenges (including costs) and subjective nature of evaluating eligibility of applicants claiming to have achieved, or plans having plans to achieve, all available cost-effective energy efficiency.
2) Equity concerns for ineligible industrials that would necessarily contribute disproportionately to the EEC if certain industrials were exempt.
3) Existence of two Board approved self-managed energy efficiency program alternatives for large industrials, including the Customer Credit Program and Self Managed Energy Efficiency Program.
4) The bill does not acknowledge that the EEC funds result in shared system benefits – that even non-participating customers benefit from the participation of others, and should contribute to those programs.

8. Specific modifications that would be needed to recommend support of this bill*:* *Not meant to rewrite bill, but rather, an opportunity to identify simple modifications that would change recommended position.*

None.

Secretary/Commissioner has reviewed this document: __________ ***Date:*** 1/27/14

WE RECOMMEND ROLL-OUT OF EVT PROGRAM FOR LARGE VT COMPANIES – WILL DISCUSS W/ ADMINISTRATION

Please return this bill review *__as a Microsoft Word document__* *to laura.gray@state.vt.us*