

## **Burlington Electric Department testimony on Senate Bills 202 & 302 presented to the Senate Natural Resources and Energy Committee – Jan. 30, 2014**

BED is the appointed energy efficiency utility for the City of Burlington. BED has worked successfully to provide a broad range of efficiency services to its customers since the late 1970's, and continues to enjoy a good working relationship with Efficiency Vermont, Vermont Gas, the low-income weatherization agencies, and all the providers of energy efficiency services in the Burlington area. BED is recognized nationally for its energy efficiency expertise and its service provision.

BED has steadily increased its customers' access to fossil fuel retrofit programs over time. BED has recently initiated on-bill financing for its small commercial customers, and it has made an on-bill repayment mechanism available for its residential PACE program as well. It is important to note that almost 90% of space heating fuel in Burlington is provided by Vermont Gas Systems. VGS offers a full range of subsidized thermal efficiency programs, and so directly delivers the largest proportion of regulated thermal efficiency services in the City of Burlington.

BED supports the goal of increasing publicly-provided funding for thermal efficiency retrofit efforts. BED contributed to and supports the findings of the Thermal Energy Task Force. We applaud the intention to support these efforts that is expressed in spirit by S.202.

Beyond that intent, BED is troubled by this bill for the following reasons:

- First, a "cap" placed on electric energy efficiency funding is contrary to the long-established statutory goal of acquiring all reasonably available, cost-effective energy efficiency savings in the electric sector. This opportunity continues to grow as efficient technologies emerge and mature, and as inefficient equipment is replaced. The more electric efficiency we can find, the less generation we will need to meet the state's energy goals. The state's efficiency utilities participate with its regulators in an ongoing process of assessment and re-evaluation of this opportunity. This process, formally known as Demand Resource Planning, is used to determine the amount of funding that is needed to meet that statutory goal. A cap, by its very nature, would restrict the state's ability to meet that goal.
- Second, the energy efficiency charge was carefully developed and is maintained to raise funds in as targeted a way as possible from those who can benefit from electric energy efficiency services. It is collected from all electric ratepayers and has since its inception been dedicated solely to achieving electric energy efficiency. That is why other funds without that dedication (FCM & RGGI) were sought to fund thermal efficiency efforts in 2008. If a portion of the EEC were used to fund thermal efficiency programs, some gross cross-subsidies would be created. The most obvious example would be a Vermont Gas customer. These customers already pay for efficiency services in their gas bills. They also pay an energy efficiency charge for their electric efficiency programs. BED and Vermont Gas cooperate to assure that these services are provided seamlessly to them. To now ask those customers to dedicate a portion of their EEC payment to generalized thermal efficiency through their electric bill would be asking them to pay twice for the same opportunity.
- Third, this proposal continues the inequity highlighted in the Thermal Energy Task Force report in which only regulated energy service providers are collecting funds for thermal efficiency programs. Today's use of FCM and RGGI funds for thermal efficiency programs represent a cross-subsidy to thermal efforts from benefits derived from the electric industry. To dedicate any portion of the EEC to this purpose as only exacerbates that problem. Meanwhile, non-regulated fuel providers are today exempt from collecting

monies for publicly-provided thermal efficiency programs available to their customers, beyond the gross receipts tax dedicated to low-income weatherization programs that all Vermont-based energy suppliers collect currently.

- Finally, BED doesn't support the effort to strike the PSB's ability to govern the EEC process with an Order rather than a Rulemaking. A Board order has proven to be an efficient and effective process for setting the EEC since 2000. There is ample opportunity in today's process for public comment and intervention in the budget-setting process for the states' EEUs. This PSB process has drawn no public criticism to my knowledge. BED expects that a rulemaking procedure would not accomplish any additional benefit over what's provided by the current process. What problem does this change propose to fix?

In regards to S.302:

Today there are two versions of a separate use of EEC funds for large customers outside of the EEU programs. Why would we consider yet another version of such an exemption mechanism unless it is clear that the existing mechanisms are not effective for that purpose.

EEU programs meet a high bar for quality and assurance of value delivered. Aside from highly technical savings analyses, regulatory compliance requires implementation reporting, and monitoring and evaluation protocols to assure the predicted energy savings paid for with public funds were actually accomplished. This includes maintaining the interface with ISO-New England needed to capture the benefits of the FCM program for all Vermonters. Large customers, and IBM may be an exception, do not maintain the specific expertise that BED offers in these endeavors. Energy efficiency, while always a bottom-line priority for any business, is not their primary mission, and it can become a very big distraction for their facility staff. We hear that from our large customers over and over. This is the rationale for establishing EEU's in the first place – to develop and share that very specialized expertise, and thus lower the societal cost versus trying to recreate that expertise in 100 smaller businesses. Those customers who have worked with us to look at the idea of “going it alone” using the existing opt-out mechanisms have ultimately decided to stay with BED as the efficiency service provider.

Finally, as with almost any business, the EEU's rely on large customers and large projects to help support the fixed costs for their programs. Any departure by these large customers will increase the fixed costs for EEU operations that must be collected from smaller customers. The specialized skills needed to serve these large customers will still be needed to serve the next smallest customer. The EEU was designed as a mechanism to achieve overall societal goals, and the decision to fund it with a volumetric charge paid by all electric consumers was very conscious of the fact that participation by all would lower costs for all to provide what has been deemed by state policy to be an essential service. These opt-out mechanisms serve to undermine that principle, and thus raise the cost for energy efficiency for the vast number of Vermonters. As a matter of policy we should not encourage them further unless we are willing to pass additional costs to all other ratepayers.

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