



February 15, 2012

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

Re: Vermont Energy Investment Corporation Annual Plan Geographic Targeting Addendum

Dear Ms. Hudson,

Please find attached Vermont Energy Investment Corporation's Geographic Targeting of Efficiency Services Annual Plan Addendum. The addendum describes the two areas selected for Geotargeting, the so-called "Susie Wilson Road" area in Chittenden County (Green Mountain Power's service territory) and the city of St. Albans in Franklin County (Central Vermont Public Service Corporation service territory), the expected costs and benefits, and the additional statewide benefits.

In VEIC's September 23, 2011 request for an extension on the 2012-2014 Efficiency Vermont Annual Plan, VEIC proposed to include a geographic targeting addendum to the Annual Plan by February 15, 2011. On December 19, 2011, the Vermont Systems Planning Committee (VSPC) filed with the Board the 2012 – 2014 GT proposals. On February 3, 2012 the Board memorandum re: Efficiency Annual Plans for 2012 and Notice of Workshop noted that VEIC is scheduled to submit an addendum to its Annual Plan to address geographic targeting of efficiency services and that VEIC should be prepared to include the addendum in its presentation.

Although a Board Order addressing Geotargeting (GT) has not yet been issued, VEIC's GT addendum outlines efficiency plans resulting from its planned implementation of the VSPC proposal. As contemplated in the December 12, 2011 Board Order re: Order Determining Electric Quantifiable Performance Indicators for Efficiency Vermont, upon issuance of that order, VEIC will file updated forecasts of statewide savings and associated proposed affected electric QPIs, as well as a proposed GT QPI. Consequently, this addendum is VEIC's current plan based upon the VSPC GT proposal and forecasted efficiency results may differ from those in a future VEIC QPI filing pursuant to a GT Board order.

VEIC looks forward to the Board's upcoming Annual Plan workshop to discuss these proposals and answer questions. As always, please feel free to contact me with any questions or comments. Thank you.

Sincerely,

A handwritten signature in blue ink that reads "Michael J. Wickenden".

Michael Wickenden, Planning Manager, Policy and Public Affairs

Geographic Targeting 2012 Annual Plan Addendum

Efficiency Vermont plans to provide geographic targeting services for two areas during the 2012-2014 performance. Both areas have been previously served by Efficiency Vermont GT efforts. Two other areas previously served (Rutland and Southern Loop) have been eliminated from the targeted areas in this performance period. The two geotargeting (GT) areas for the 2012-2014 period are:

- 1. St Albans (Central Vermont Public Service (CVPS) service area):** GT to achieve 1.1MW of energy efficiency incremental to statewide services at an incremental budget of \$4.0 million for a total savings acquisition of 1.8MW in the area. This target represents the full maximum achievable potential for the area.

CVPS estimates the St. Albans area has a future summer reliability constraint for the loss of one of the area's 34.5/12.47 kV substations. With growth, this area will likely require the construction of a new 35.5/12.47 kV substation at a cost of \$1.5 million to maintain existing backup capability in the event of a planned or unplanned transformer outage. Recent load growth has been flat due to the economic downturn. The addition of a large retail store has the potential to attract ancillary growth to the area. The delivery of targeted efficiency has the potential to defer or avoid construction of a new substation.

The St. Albans area consists of approximately 7,000 premises with a total usage of 151,000 MWh annually. Of these accounts, 1,088 (16%) are C&I customers representing a total usage of 110,000 MWh (73%) of the total usage.

- 2. Susie Wilson Road (Green Mountain Power (GMP) service area):** GT to achieve 0.7MW of energy efficiency incremental to statewide services at an incremental budget of \$2.7 million for a total savings acquisition of 1.4MW in the area. This target represents the full maximum achievable potential for the area.

GMP estimates the area served by the Ethan Allen, Essex and Gorge substations is constrained by both feeder capability and substation transformer capacity. This area has experienced nearly 3% annual load growth of the past five years despite the recession. In addition, a 5MW industrial load is projected to come on line over the next two years. In order to serve this area, the Susie Wilson 115 kV / 12.47 kV substation will be required at a cost of ~\$8 million.

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The Susie Wilson Road area, consists of approximately 5,500 premises with a total usage of 117,000 MWh annually. Of these accounts, 727 (13%) are commercial/industrial (C&I) customers using 80,000 MWh/yr (68%) of the total usage in this area.

With Board approval, the Efficiency Vermont GT budget of \$6.7M will be allocated across the three-year performance period and the QPI target will remain one combined target which includes the kW reductions based on estimated statewide funding in the targeted areas and the incremental kW reductions associated with the incremental \$6.7M spending. The combined performance period kW target is 3,200 kW. Table 1 below illustrates how the incremental GT kW reductions impact the statewide targets for MWh, total resource benefits and summer peak kW savings.

Table 1. Changes to Efficiency Vermont QPIs due to Geographic Targeting

Efficiency Vermont Electric Efficiency Performance Goals 2012-2014 ¹		
Performance Indicator	Metric (3-year totals)	
	without Geographic Targeting	including Geographic Targeting ³
Electric Efficiency Savings - Total Annual MWh savings	320,000	331,000
Total Resource Benefits (TRB) (2011\$) ²	\$271,088,000	\$281,586,000
Summer peak kW savings	60,800	62,800 kW
Summer peak kW savings in specific Geographic Targeting areas	1,400	3,200 kW ⁴
NOTES:		
[1] As of this publication, final performance goals have not been approved by the Public Service Board		
[2] TRB represents the present value of electricity, fossil fuel, wood, and water savings over the estimated lifetimes		
[3] MWh, TRB and Summer peak kW savings each include a stretch goal associated with Geographic Targeting funds		
[4] Summer peak kW savings includes both the baseline and incremental savings in Geographic Targeting areas		

Description of Efficiency Vermont GT Services - Our analysis of the two GT areas identifies the potential for significant remaining summer kW reduction opportunities. Although some savings are expected to derive from residential accounts, the primary GT efforts will focus on the commercial and industrial sector. Because the number of premises that exist in the newly defined GT areas is dramatically smaller than previous performance periods, there is a smaller population of accounts from which savings can be achieved in the next three years. To maximize realized savings in the shortest possible time, initial efforts will begin with the GT customers with the largest summer peak demand load. Often, the largest customers require the longest planning cycle for implementing projects. Over time, outreach will progress toward medium and smaller customers. Targeted services and programs will be continually

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evaluated for appropriateness relative to large, medium, and small C&I customers. These enhanced, targeted services are expected to include:

- Individualized account management strategies with a targeted focus on coincident summer peak demand reduction for the largest GT C&I customers,
- Enhanced cost share on audits for larger industrial accounts to identify and target kW reduction measures,
- Targeted campaigns and promotions for medium to small C&I customers for certain technology replacements such as converting interior lighting systems to newer, advanced LED technology,
- Special focus on any new construction projects in these areas to maximize comprehensive savings and insure against lost opportunities for savings,
- Enhanced financial incentives and technical support to identify and implement measures that maximize coincident summer peak kW reduction,

The cost to achieve these savings is expected to increase over time, as achieving deeper savings with customers already served by GT-focused programs over the past 5 years becomes increasingly challenging, and will require higher levels of incentives. The estimated savings and costs for the 2012-2014 GT areas reflect this trend.

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