

To: ISO-NE PAC Matters
From: Maine Public Utilities Commission
Date: January 15, 2013
Subject: Comment on 2013 Draft Energy Efficiency Forecast

The MPUC commends the work ISO-NE and the Energy Efficiency Forecast Working Group have done to develop the 2013 Draft Energy Efficiency Forecast. The forecasting model is transparent and we believe it correctly reflects the elements of the various states public policies most responsible for development of the efficiency resources. As discussed below, there are at least two areas in which we believe faulty or unsupported assumptions cause the forecast to significantly under project regional efficiency gains.

The ISO's forecast arrives at an estimate of peak demand reduction in two steps. First, the estimated budgets of each program administrator in the region are multiplied by their historic production costs, a production cost inflator, and for some states, a "budget uncertainty" factor. This creates an estimate of the MWh efficiency gains by each efficiency program administrator. The second step translates energy savings into demand reductions by multiplying the estimated MWh for each by their individual historic peak to energy ratios. The MPUC believes the production cost inflators chosen by the ISO for this 2013 Draft Efficiency Forecast are not supported by the data and should be modified in two respects.

The production cost for all program administrators in New England is assumed to increase by five percent per year above the estimated cost of inflation through the forecast period, yet data collected by the ISO from program administrators for years 2009 through 2011 show actual production costs for the region have fallen an average four percent per year. This historic trend is shown on slide 21 of the Draft Efficiency Forecast presentation. For now, we believe the ISO's forecast would be more credible if it retained the 2.5% production cost inflator, but eliminated the unsupported five percent cost inflator.

ISO has made an exception to program cost inflation for Maine. Instead of inflating efficiency acquisition costs by five percent above inflation, Maine's program costs are

assumed to increase by 7.5% per year over the forecast period. We understand this is because Maine's efficiency program costs are lower than the regional average and ISO's adjustment is to bring the State's program costs in line with other programs in the region. Though less significant in its effect, this adjustment too, is unsupported by the data. First, as reported by MPUC staff at the October Energy Efficiency Forecast Working Group, Maine's efficiency production costs have historically been below regional and national average. Absent evidence to the contrary, Maine's production costs should not be adjusted upward simply because they are different from others.¹ In fact, ISO's own data show Maine's production costs have fallen an average of eight percent per year while at the same time regional average production costs have fallen by four. Once again, we believe ISO's forecast would be more credible if Maine's efficiency program production costs were assumed to rise at only the rate of inflation.

ISO's Draft Forecast projects a cumulative peak demand reduction of 1,314 MW over the forecast period. Its unsupported production cost inflators cause each MW of savings to cost more and decrease projected efficiency gains by approximately 600 MW; a forty five percent reduction. MPUC believes this is a material difference which warrants attention.

We appreciate the time and resources ISO-NE has dedicated to ensure that investments in energy efficiency are reflected in the Regional System Plan and in transmission planning studies. New England states have made public policy choices to invest a projected \$3.3 billion over the forecast period as alternatives to generation and transmission development. If the effect of these investments is not accurately reflected in the forecast, consumers will be paying twice; once for energy efficiency to avoid transmission development, and once again to build transmission because program impacts are not fully reflected in the forecast. We also understand this is a new process which is difficult for the ISO and which will be challenged by some in the region, however we believe this forecast will be most defensible and most credible if it rests to the extent possible on the data gathered through the substantial time and efforts of the ISO, the program administrators and the stakeholders involved in the forecast working group.

¹ We attach a number of exhibits that demonstrate this historic difference

Exhibit One: Identify Best Practice Regional DSM Programs: Benchmarking Results From Reported 2007 Program Results. Summit Blue for MPUC January 22nd, 2010.

Figure 1-3. Electric Energy Savings and First Year Costs (\$/kWh)

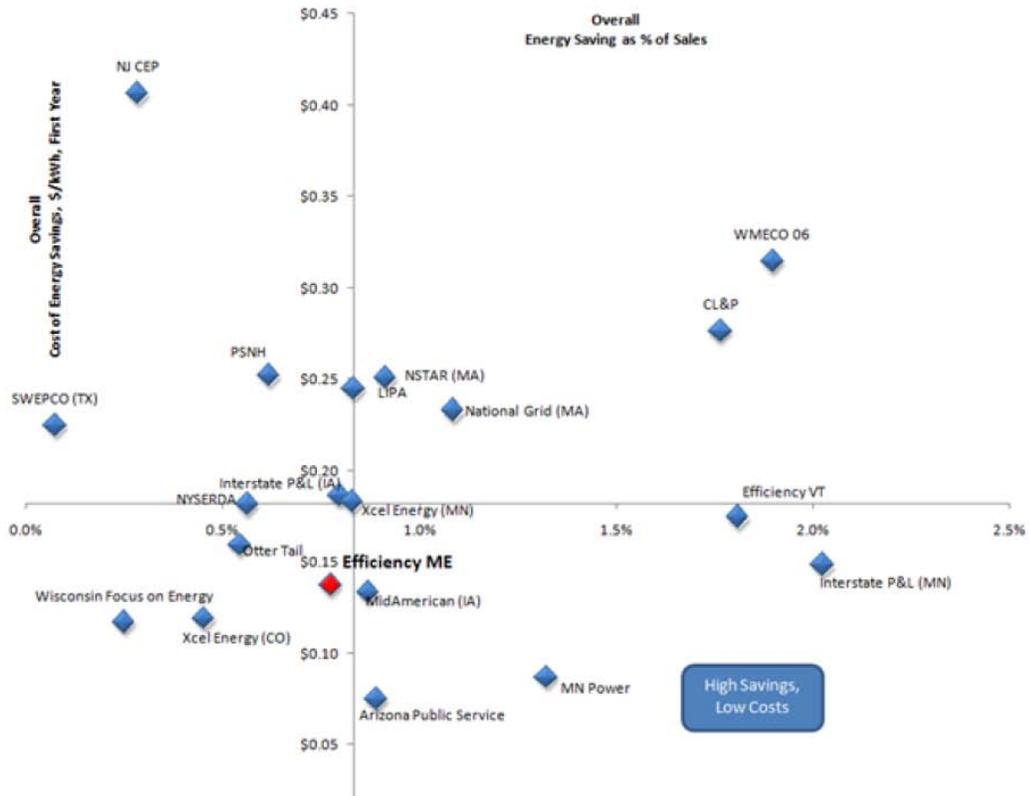


Exhibit Two: Data collected by GDS associates in the course of developing acquisition costs for the Pennsylvania energy efficiency potential study.

Utility	Year	Overall Cost of Energy Savings, \$/MWh		Budget	Projected Savings in MWh
		Verified Figure			
MN Power	2013	\$ 115.98	\$ 5,983,700.00		51,595
MN Power	2012	\$ 116.22	\$ 6,120,286.00		52,661
Tucson Electric Power	2012	\$ 152.19	\$ 27,486,097.00		180,603
Arizona Public Service	2012	\$ 162.71	\$ 78,100,000.00		480,000
Consumers Energy (MI)	2013	\$ 169.73	\$ 69,200,000.00		407,718
Consumers Energy (MI)	2012	\$ 171.89	\$ 67,600,000.00		393,281
Unisource Electric	2012	\$ 190.41	\$ 7,939,196.00		41,696
NV Power	2012	\$ 197.57	\$ 28,024,000.00		141,842
ComED (IL)	2012	\$ 222.67	\$ 162,100,000.00		727,985
ComED (IL)	2013	\$ 223.63	\$ 162,800,000.00		727,985
Energy Trust Oregon	2012	\$ 310.95	\$ 36,500,000.00		117,384
Efficiency VT	2012	\$ 386.46	\$ 41,222,700.00		106,667
Efficiency ME	2013	\$ 181.56	\$ 37,719,454.00		207,755
Efficiency ME	2012	\$ 189.78	\$ 21,494,538.00		113,263
CT Light & Power	2012	\$ 441.23	\$ 84,191,749.00		190,810
National Grid (MA)	2012	\$ 419.20	\$ 217,514,830.00		518,875
NSTAR	2012	\$ 465.06	\$ 215,857,802.00		464,149
National Grid (RI)	2012	\$ 477.62	\$ 61,408,000.00		128,570

Exhibit Three: ENE Exhibit 6 Energy efficiency program cost per lifetime unit of energy saved MPUC Docket No.2012-0049

