

# TEC

*The Energy Consortium, Inc.*

24 Hastings Road  
Lexington, MA 02421- 6807  
Phone/Fax 781 862 0888

*Partial List of Members: Acushnet Co., Brandeis University, Clark University, Creative Paper Inc., Fidelity Investments, Flexcon, Harvard University, MIT, MWRA, P & G (Gillette), Polaroid Corp., Saint-Gobain, Tufts University, UMass Medical, United States Gypsum Company, Whitehead Institute, WPI, W.R. Grace, and Wyeth Bio- Pharmaceutical*

Mary L. Cottrell  
Secretary of the Department  
Department of Telecommunications and Energy  
One South Station, 2<sup>nd</sup> Floor  
Boston, MA 02110

January 30, 2007

**Re: D.T.E. 06-113, Petition of the Division of Energy Resources (DOER) for an Investigation into Establishing an Energy Efficiency Performance (Portfolio) Standard (EPS) for Basic/Default Service**

Dear Ms. Cottrell:

The Energy Consortium, TEC, is a non-profit association of commercial, industrial, institutional and governmental large energy users in Massachusetts and has been concerned with energy regulatory matters for over 34 years. It advocates positions that promote fair cost-based energy rates, diversified supplies and reliable service for both its member organizations, their employees and all Massachusetts ratepayers. TEC is a participant on retail and wholesale electric regulatory matters and its members will see the effects of this EPS investigation.

TEC is one of the original members of the Non Utility Parties that has shepherded the State's Energy Efficiency Program since Electric Restructuring. TEC continues to support cost effective energy efficiency initiatives; however, the DOER petition for the Department of Telecommunications and Energy, DTE, to investigate EPS opens many questions and some may say it competes with other proposals that have not been tested and, in particular, the inclusion of Demand Resources in the Forward Capacity Market. The number of issues raised by the petition go well beyond the scope of TEC's comments.

As I read the petition, the following issues come to mind, some obvious others not so obvious:

1. The timing of a new collaborative process to design EPS will be in conflict with other on-going activities that TEC members and others will be participating in, such as: a) implementing the Forward Capacity Market, FCM b) collaborating on distributed generation opportunities in Massachusetts c) continuing energy efficiency programs in conjunction with FCM, d) understanding and mitigating the economic

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impact of RGGI and e) following the new DTE regulatory filings and DOER initiatives (for example, real-time pricing of basic service). TEC members and others are stretched beyond capacity and the input of end users needs to be considered in the multiplicity of new state driven energy activities. We need to get on with the business of implementing energy efficiency projects, distributed generation, renewable energy opportunities and RGGI rules for allocating collected funds.

2. The DOER notes that they consulted with experts outside the state with knowledge of energy efficiency and demand response programs to develop this proposal. It is important to note that the preliminary discussions with Massachusetts Stakeholders occurred after the DOER set the petition in motion – stakeholders had minimal input, if any at all. TEC feels strongly that end users should participate in energy policy discussions and would participate in a future investigation if the DTE decides to pursue this filing.
3. The filing has two different titles for EPS: a) Energy Efficiency Portfolio Standard, b) Energy Efficiency Performance Standard. The portfolio title approach feels better since it reflects a prescribed allocation of basic service requirements along with energy efficiency quotas. The term performance standard suggests that penalties are an issue for customers, service providers and utilities.
4. The procurement of energy efficiency as a portion of the Basic Service Portfolio appears to be in conflict with the short-term purchase of load for large C&Is. DOER suggests a five-year efficiency payback period which contrasts sharply to three- month purchase and pricing for large C&Is. In addition to not being logical, this could become an administrative nightmare.
5. The failure to meet the energy efficiency goal, whether 0.25 % or 1.5% will result in the utility buying premium power to cover usage requirements not met by planned conservation. The DOER suggests that cost of this premium power will be allocated to the users of Basic Service. This is different from the current DTE requirement that basic/default service true-ups be collected from all customers as part of the distribution rate.
6. The creation of this portfolio standard further embeds utilities as a basic service provider to customers. The intent of basic /default/last resort service was to insure customers of continued service when they cannot obtain competitive supply. By adding EPS adjustments to basic service, the state is agreeing to a

long-term commitment to utilities as the provider of generation services that is not the intent of the Restructuring Act. There has been no revision of this law to date.

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- 7. The DOER suggests that cost recovery be included in the basic service charge to customers in sixty equal increments; however, the utility does not pay the energy service provider until the efficiency project is commissioned. In addition to further embedding utilities as the Basic Service provider, it is not clear where the interest on accrued funds is dealt with properly.
- 8. It's not clear to TEC that EPS as described is the best approach to meeting Massachusetts peak electric demand requirements. Expanding the existing energy efficiency program to include incentives for new efficient on-site generation resources may provide significant reduction to summer peaks without adding more utility and agency administration with EPS. This approach along with FCM will encourage large C&Is to invest in distributed generation that is a current goal of the State.
- 9. The idea that the utilities can manage the marketing and administration of EPS is a concern to TEC. Certainly, they can do it but at what cost? The concept of creating another market for energy efficiency that has real-time consequences may be a problem.
- 10. The DOER states that for those basic service customers not reducing their consumption there will be a small "hidden" surcharge. Is this legal?
- 11. What is the requirement for a completed installation to stay on line after startup – five years?
- 12. How will the EPS projects be monitored in the sixth through tenth years?

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TEC has listed several concerns regarding the DOER petition. We strongly recommend that the DTE not open an investigation on this very narrow, redundant and unnecessary proposal.

Respectfully submitted,



Roger Borghesani, Chairman

CC: Rachel Graham Evans, DOER

Mary Cottrell, DTE, Original and 10 copies