COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS & ENERGY

PETITION OF THE MASSACHUSETTS DIVISION OF ENERGY RESOURCES FOR AN INVESTIGATION INTO ESTABLISHING AN ELECTRIC EFFICIENCY PERFORMANCE STANDARD AS A COMPONENT OF THE SUPPLY OF BASIC SERVICE ELECTRICITY	)	DTE No. 06-113

INITIAL COMMENTS OF THE E CUBED COMPANY AND THE JOINT SUPPORTERS[1] INCLUDING CLIMATE ENERGY, LLC AND OTHERS

1. Pursuant to the Notice of Filing and Request for Comment dated December 29, 2006, The E Cubed Company, LLC, on behalf of itself and the Joint Supporters,[2] a voluntary association described below, offers the following comments and request for recognized participant status if a proceeding follows in response to the Division of Energy Resources (DOER) petition dated December 21, 2006 which requested that the Department conduct an investigation into establishing an energy efficiency performance Standard ("EPS") for basic/default ("basic") service. DOER requests that all electric distribution companies be required to purchase a minimum percentage of their basic service supply through cost-effective energy efficiency resources. DOER requests that the Department initiate a collaborative processes to design an EPS and address implementation issues. These comments generally support and supplement the petition filed by DOER. If alternative proceedings emerge, the Joint Supporters ask to be given the opportunity to participate in them.

2. The E Cubed Company, LLC. ("E Cubed") is a Delaware corporation that provides strategic energy services throughout the United States and Canada. The firm has been a core group member of the DG Collaborative implementing the Department's Orders in 02-38 and with the Joint Supporters was a party to the NSTAR Stand-by rate case in 2004. In 2004-2006 the firm and the Joint Supporters (representing 25 customers, providers, and associations) negotiated in a NY Public Service Commission (PSC) collaborative much like that contemplated

[1] The Joint Supporters include for this purpose, Climate Energy, LLC, CoEnergy America, Inc., WebDirect, LLC d/b/a ConsumerPowerline They can be reached via The E Cubed Company, LLC. The recent filings of Joint Supporters are available at http://www.ecubedllc.com.

here and successfully designed a 300 MW Program, including Energy Efficiency, Distributed Generation and Load Management now being implemented. During 2006-7 E Cubed has participated in the Demand Resources Work Group negotiating the design for Energy Efficiency, Distributed Generation, and Load Management in the ISO-NE's Transitional and Forward Capacity Markets. The firm has participated since September 2006 in the Rhode Island DG Stakeholders Working Group set up at the request of the Energy Advisor to the Governor and the General Assembly. In 2005-2006 E Cubed participated in the Dockets and Work Groups implementing Connecticut's Energy Independence Act.

3. Founded in 1989, E Cubed has assisted in the development of market rules and project opportunities for distributed energy and demand resources in thirteen states, and in the development of market rules at the three RTOs/Independent System Operators in the Northeast, at the Federal Energy Regulatory Commission, and in legislative settings. The E Cubed Company, LLC currently has offices in New York and Maine. E Cubed has served as the facilitator of the Joint Supporters.

4. Joint Supporters is a seventeen-year-old voluntary association of suppliers of robust competitive energy services, including electricity, natural gas, and new technologies and services. Its associated entities participating in this proceeding have strong interests in energy efficiency, distributed generation and related service opportunities. It has participated in the generic restructuring case before the Department and in other States addressing energy efficiency, distributed generation, load management and restructuring issues. It has participated in the FERC RTO proceedings and in mediation and merger proceedings with a number of participants in the markets of Massachusetts. The E Cubed Company, LLC and the Joint Supporters were full voting members of the New England Demand Response Initiative during its three-year life from 2001-2004 (NEDRI).

5. The Joint Supporters look forward to working with the Department and other Massachusetts stakeholders to reduce barriers to energy efficiency, distributed generation and load management in the electricity industry. If this proceeding becomes a primary vehicle for the Department's further consideration of these matters we encourage the Department to act decisively to bring key stakeholders to the table. If another proceeding(s) become primary vehicles, we urge that the Department require the parties to consider the record created here.

6. <u>General Comments</u>.

a. We encourage the Department to accept the proposed goal of acquiring a minimum, yet significant, portion of basic service supply from cost-effective energy efficiency resources, including energy efficiency, efficient combined heat and power (CHP) and

micro-CHP, and efficient load management. "Significant portion" should be construed as greater than the 1.5% of basic supply as proposed. Connecticut's 4.0% goal is overall, not just of the basic general service.

b. We strongly encourage the Department to take advantage of experience (in other States and in the RTO institutions) with collaborative negotiations to develop competitive procurement designs to meet load growth that include energy efficiency, efficient combined heat and power (CHP) and micro-CHP, and efficient load management.

c. In our view, having negotiated the design and implementation of EE, CHP, and LM procurement activities in other jurisdictions, including New York, Connecticut, Rhode Island and other States and at ISO-New England, NYISO, and PJM, the DOER proposal is a well-developed concept. In our experience, it can be elaborated effectively in market participant stakeholder negotiations in a collaborative.

d. The fundamental problem of how to fund efficiency measures within the constraints of existing statutes may be met by allowing competitive procurement within the General Service pool and keeping overall costs, but not specific project awards, within average cost guidelines. How to define those can be a subject of collaborative negotiation. However, aspects of resolving this may merit strong leadership, by the Department, the Executive Agencies and/or the Legislature. However, the Department should not wait for the Legislature to deal with it in the future.

e. We agree that a collaborative negotiating and design process is a suitable next step, as long as the transaction costs of participation are not prohibitive. Alternative models can be considered, such as the California model where interveners' costs may be borne by the State or the Illinois model where all parties need to agree. There are advantages and disadvantages of each approach.

We offer the following selective specific comments to DOER's petition in turn below:

1. <u>The basic service load is substantial and upon review suggests that a 1.5% target is low</u>.

E Cubed has analyzed the 2006 and 2005 Electric Power Customer Migration Data which just became available today (January 29, 2007) on the DOER website. The petition relied upon the 2005 migration data to estimate Basic Service Load at 31 billion kWh (64% of total kWh). With Default Service (5% of total kWh) added that load would appears to be 33.3 billion kWh and Competitive Generation Load at 15.3 billion kWh (31% of total kWh).

There was clearly an increase in migration to competitive generation over the two years. Almost 138,000 customers left basic service (incumbent Generation) and 58,000 of those went to competitive generation. The total Basic Service Load in 2006 totaled 27 billion kWh. At the proposed target level of 1.5% working from this lower base number within six years this still represents about 450,000,000 kWh per year. At a target level of 2.5% within six years, this represents about 675,000,000 kWh per year.

2. The residential non-low income basic service – Proposal for a Pilot

The residential non-low income basic service for about 1.9 million customers totals approximately 14.5 billion kWh in annual purchasing.

Based upon analysis of the 2005 & 2006 migration data, each residence purchases an average of 635 kWh per month and 7,500 kWh per year. This group represents an excellent opportunity for residential micro-CHP installations.

Each micro-CHP unit, e.g. Climate Energy's system, yields approximately 4,000 kWh during 3,200 hours of production over the eight to nine months in which the furnace operates.

If 1000 basic service residences had micro-CHP systems installed, then the total kWh reduction would be 4,000,000 kWh. This is 0.03% of the total kWh of basic service.

This would represent about 1,200 kW when in operation. They can be phased-in on a multi-year basis.

It seems small, but add a thousand units per year and within five years you have five thousand units and 6,000 kW of capability reducing basic service purchases by 20,000,000 kWh. This would represent 0.12% of the total kWh of basic service and 8% of the target objective proposed in the petition.

3. The large Commercial & Industrial basic service

In 2006 the large commercial & industrial basic service for about 2,600 customers (38% of the large C&I population) consumed about 3.8 billion kWh and averaged 123,000 kWh per month and about 1,500,000 kWh per year.

In addition to representing an excellent opportunity for energy efficiency providers serving this market separately or in aggregated form this represents an opportunity for CHP systems in the 50 -150 kW range and for load management in conjunction with a mix of measures.

Customers this size are being actively pursued in the implementation of Connecticut's Energy Independence Act.

4. Load Management Needs to be Included for all Categories of Ultimate Customers

The petitioners were unable to address load management and did not address the implications of the emerging forward capacity market. It is our position that load management should be available to groups of ultimate customers, especially if in conjunction with an energy efficiency package that includes other measures, such as lighting, HVAC, and/or CHP. It is not unusual for a facility with a CHP system, for example to have an emergency generator.

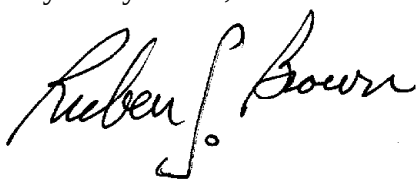
5. Address the issue of incentives and penalties for distribution companies.

In our experience, for example in designing the supplemental Demand Resource Program of 300 MW being implemented in the NY Con Edison territory, the utility became a willing collaborator with the addition of an incentive of $22,500 per MW on all the MW of EE/DG/LM produced by competitive procurement being administered both by themselves and by an independent third party, i.e. the NYSERDA. We encourage the Department to do everything it can to provide that leverage to this set of proposals. Revenue decoupling is one option that may be within the existing authority of the Department.

Conclusion

Please do not hesitate to contact any of the undersigned parties should you have any questions. Again, we thank you for the opportunity to submit these comments.

Very Truly Yours,



Ruben S. Brown, M.A.L.D.

President, The E Cubed Company, L.LC.
[On behalf of The Joint Supporters, including for this filing Climate Energy, LLC (Medfield, MA), CoEnergy America, Inc. (Southbridge, MA) and WebDirect, LLC d/b/a ConsumerPowerLine and others]
1700 York Avenue, Suite B-2
New York, NY 10128
212.987.1095 voice
917.974.3146 cell
212.937.3960 efax
rsbrown@ecubedllc.com
ruben_brown@mindspring.com

cc: Eric Guyer, Climate Energy, LLC
David Hannus, CoEnergy America, Inc.
Nicholas Planson, WebDirect, LLC d/b/a ConsumerPowerLine