

THE COMMONWEALTH OF MASSACHUSETTES
DEPARTMENT OF TELECOMUNITCATIOS AND ENERGY

D.T.E. 06-113

January 31, 2007

Petition of the Massachusetts Division of Energy Resources for an Investigation Into
Establishing an Energy Efficiency Performance Standard for Basic/Default Services.

**Written Comments by
Conservation Services Group Inc.**

Conservation Services Group Inc. (“CSG”) submits these written comments in response to the “Notice of Filing and Request for Comments” issued by the Commonwealth of Massachusetts Department of Telecommunication and Energy (The Department) on December 29, 2006. The Department has requested comments on the Petition of the Massachusetts Division of Energy Resources (“DOER”) for an Investigation into Establishing an Energy Efficiency Performance Standard for Basic Service which would require that utilities purchase a percentage of their supply from energy efficiency projects.

CSG appreciates this opportunity to comment on DOER’s petition to establishing an Efficiency Performance Standard (EPS) to serve customers who receive Basic Service in Massachusetts. CSG applauds DOER for initiating this needed discussion of increasing energy efficiency projects in Massachusetts beyond those already supported by the System Benefit Charge. CSG agrees with DOER in that more energy efficiency is needed. The proposal of requiring utilities to procure a percentage of their electric supply for Basic Service from efficiency projects is an interesting idea that has potential benefits, but also substantial negative impacts on existing efforts and may result in

conflicts between customers participating in competitive supply market and those who are not participating in competitive supply market.

CSG is particularly concerned that the proposal only targets basic service customers, which could tempt customers—especially large and small Commercial and Industrial ones—to switch on and off Basic Service to maximum their benefits from the program; yet, without providing a stable revenue stream to pay for the program. Although the proposed EPS would require that only those customers who have been on Basic Service for a year be eligible for their project to qualify for EPS funding, once the project has been implemented the customer does not have to stay on Basic Service. Therefore this customer, who has a more efficient load profile that is paid for by the utility through rate payers, can now go to a retail supplier. The utility will have 5 years to recover the cost of the efficiency project from the rate payers on basic service; however, the customer who received the direct benefit of the project will not have to contribute to the cost recovery of the project, even though it received the benefits. The cost of administering an efficiency program only for basic service customers and guarding against ‘gaming’ will be expensive and potentially undermine the 1998 Electric Restructuring Act.

CSG has participated in programs where SBC and procurement requirements exist. The conclusion is that there is high potential for conflict between these funding mechanisms, gaming based on differential incentives, and increased administrative costs to differentiate between the funds from SBC and from the procurement budgets. In the case of New England, where there is also a capacity market, the proposed EPS would mean a third source of funding for efficiency which would add even more complexity and administrative costs due to segregating and reporting requirements. While, EPS offers

benefits to the Commonwealth the potential disadvantages may outweigh the benefits. There are alternative strategies that could achieve the same outcomes without the negative effects of serving customers with a differential level of service and exposing the electric supply system to anti-competitive incentives.

CSG strongly supports increased energy efficiency for all rate payers, as a cost effective strategy to lower costs on a societal and an individual ratepayer basis. We suggest that the best way to achieve this objective is to increase the SBC charge to 3.3 cents per mil and to establish this as a minimum level of SBC charge that can be modified by DOER. This can be combined with resources from the Forward Capacity Market (FCM) to maximize efficiency investments without creating a conflict between basic and competitive service customers that undermines the competitive power markets.

Finally, CSG agrees with DOER that a collaborative process is the most appropriate way to further develop an EPS in Massachusetts and determine if that is the best strategy for increasing the cost effective investment in efficiency. CSG concurs that a collaborative process with stakeholders could analyze the effects of the various design options, and ultimately design a superior program. CSG is a private, nonprofit corporation that specializes in the design, development, and delivery of energy efficiency and renewable energy programs for utility companies, public housing authorities, public agencies, and private clients. CSG has over 20 years of experience in the energy efficiency field, with specific expertise in implementing and participating in utility efficiency programs; therefore, we would appreciate the opportunity to be a stakeholder in this proposed collaborative process.

Respectfully Submitted,

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