

May 25, 2016

VIA ELECTRONIC FILING

Hon. Joel H. Peck, Clerk
Virginia State Corporation Commission
Document Control Center
1300 East Main Street, First Floor
Richmond, Virginia 23219

**Re: Comments of Virginia's Electric Cooperatives
regarding Energy Efficiency Evaluation, Measurement & Verification
Case No. PUE-2016-00022**

Dear Mr. Peck:

Following this letter you will find an original copy of the *Comments of the Virginia Electric Cooperatives*, submitted by the Virginia, Maryland & Delaware Association of Electric Cooperatives for filing in the above-referenced proceeding. Thank you for bringing this filing to the attention of the Commission, and please do not hesitate to contact me if you have any questions regarding this filing.

Very truly yours,

Samuel R. Brumberg

Enclosure

cc: Service List
Ashley B. Macko, Esquire, SCC Associate General Counsel
K. Beth Clowers, Esquire, SCC Staff Attorney
Mr. Cody Walker, Deputy Director, Division of Energy Regulation
CEOs of Virginia's Electric Cooperatives
Mr. Jack Reasor, CEO, VMDAEC
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Mr. Brian Mosier, Vice President of Governmental Affairs, VMDAEC
Mr. Andrew Vehorn, Director of Legislative Affairs, VMDAEC
Regulatory and Governmental Affairs Liaisons & Selected Others

**COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
at Richmond**

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STATE CORPORATION COMMISSION)	Case No. PUE-2016-00022
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Ex Parte: In the matter of receiving input for)	
evaluating the establishment of protocols,)	
a methodology, and a formula to measure the)	
impact of energy efficiency measures)	

**COMMENTS OF THE
VIRGINIA ELECTRIC COOPERATIVES**

These *Comments* are submitted pursuant to the Virginia State Corporation Commission’s (“Commission”) March 30, 2016, *Scheduling Order* (“Order”) which initiated a public consultation as required by Chapters 395 and 516¹ of the 2016 Acts of Assembly to evaluate the establishment of uniform protocols for measuring, verifying, validating, and reporting the impacts of energy efficiency measures implemented by investor-owned electric utilities providing retail electric utility service in the Commonwealth and the establishment of a methodology for estimating annual kilowatt savings and a formula to calculate the levelized cost of saved energy for such energy efficiency measures. The *Order* invited other parties, including the Commonwealth’s Electric Cooperatives, natural gas companies, industry, and other stakeholders, to also submit public comments.

A & N Electric Cooperative, BARC Electric Cooperative, Central Virginia Electric Cooperative, Community Electric Cooperative, Craig-Botetourt Electric Cooperative,

¹ 2016 Va. Acts chs. 255, 517.

Mecklenburg Electric Cooperative, Northern Neck Electric Cooperative, Northern Virginia Electric Cooperative,² Prince George Electric Cooperative, Rappahannock Electric Cooperative, Shenandoah Valley Electric Cooperative, and Southside Electric Cooperative, through the Virginia, Maryland & Delaware Association of Electric Cooperatives (“VMD Association”) (collectively, “Virginia Cooperatives” or “Cooperatives”),³ hereby file these *Comments of the Virginia Electric Cooperatives* in this proceeding.

INTRODUCTION

The Virginia Cooperatives are utility consumer services cooperatives organized under the laws of the Commonwealth of Virginia, and the VMD Association is their statewide service organization. As the Commission is aware, the Cooperatives are owned by and operated for the benefit of their member-consumers, and their operations are conducted on a not-for-profit basis. A cooperative’s primary corporate objective is to provide safe and reliable electric service to its member-owners at the lowest reasonable cost.

Following the General Assembly’s mandate, the Commission issued its *Order*. The following are the Virginia Cooperatives’ comments in response to the Commission’s *Order*.

² NOVEC agrees, in part, with the points made in these *Comments* and will revise and extend their remarks at the July 12, 2016, public session to be held by the Commission in this docket.

³ Powell Valley Electric Cooperative (“PVEC”) is a member of the VMD Association. PVEC is a utility consumer services cooperative organized under the laws of the Commonwealth of Virginia, with service territory in Virginia and Tennessee. It purchases its power at wholesale from the Tennessee Valley Authority (“TVA”), a federal government agency. Due to this arrangement, it is unique among the Virginia Cooperatives and governed by a combination of federal and Virginia law concerning its electric distribution operations. Its rates are regulated by the TVA. It is regulated as to service, but not as to rates, by this Commission.

COMMENTS

I. Introduction

A. Executive Summary

The Cooperatives are supportive of efforts to more precisely measure energy efficiency in ways that are cost-effective. Fundamentally, energy efficiency is a good thing, and increasing it across the Commonwealth is a goal the Cooperatives share with many stakeholders.

The Cooperatives' *Comments* in this proceeding will focus generally on making two core policy suggestions regarding energy efficiency in the Commonwealth. First, the Cooperatives are not opposed to the Commission recommending the adoption of a uniform or statewide Technical Resource Manual ("TRM") for the Commonwealth, *so long as* sufficient flexibility would remain for utilities to depart from any single, uniform standard for good cause shown. Second, the Cooperatives believe that for program-specific cost recovery, the existing cost/benefit standards should remain as they are.

B. The Cooperatives and Energy Efficiency

The Cooperatives are highly supportive of energy efficiency efforts throughout the Commonwealth and believe strongly in the efficacy of energy efficiency ("EE") to be an important tool in meeting both Virginia Energy Plan goals as well as other environmental goals, as well as valuable and appropriate customer service function of utilities. The Cooperatives, with their focus on serving our member-owners and providing affordable, reliable electric service at the lowest reasonable cost, have encouraged energy efficiency and conservation long before they became fashionable or necessary to meet legislative or regulatory goals. In addition, the Cooperatives do much to raise consumer awareness of energy use, including the now-widespread adoption of

prepaid electric service,⁴ as well as optional, proactive automatic notification of abnormal daily consumption and educating member-owners about their electricity use. These programs and initiatives can also be used to achieve EE goals.⁵

The Cooperatives are grateful for the opportunity to comment and remain appreciative for the opportunity to make their views known to the Commission and to contribute to the public discourse on behalf of their member-owners.

II. Substantive Comments

A. *Establishment of Technical Standards*

The Cooperatives care deeply about what EM&V standards are adopted in the Commonwealth, as such standards can greatly affect the costs and burden of EE programs. The Cooperatives *are not opposed to the adoption of a uniform TRM for the Commonwealth*. This could be a state-specific TRM or the adoption of an existing regional TRM, including the mid-Atlantic TRM. A uniform standard could be very helpful in establishing a “baseline” against which various EE programs could be measured.

All EM&V protocols are not created equal, however. The establishment of a uniform EM&V standard or TRM for Virginia could be an expensive and complicated undertaking. Any TRM would have to be monitored and updated by Staff, as well as input taken regularly from

⁴ While not traditionally thought of as EE programs (and while they would still be subject to a separate approval—not as EE programs), prepaid electric service has the ability to change consumer behavior and, in so doing, bring about more efficient consumption and usage of energy by consumers. *See, e.g.,* National Rural Electric Cooperative Association, *Claiming Savings from Prepaid Programs: Does Prepay Change Behavior and Drive Conservation*, February 2016 (on file with counsel). While some would argue that energy savings from prepaid electric service is the result of the prepaid meter being turned off (or service being suspended) for long periods, the data does not appear to indicate that is the case for most prepaid electric service customers.

⁵ For additional information on longstanding initiatives of the Cooperatives in this field, *see also*, Comments of the Virginia Electric Cooperatives, Commonwealth of Virginia, *ex rel.* State Corporation Commission, *Ex Parte: In the matter of determining achievable, cost-effective energy conservation and demand response targets that can be realistically accomplished in the Commonwealth through demand side management portfolios administered by each generating electric utility identified by Chapters 752 and 855 of the 2009 Acts of the Virginia General Assembly*, Case No. PUE-2009-00023; and *see* Virginia Electric Cooperatives, *Self-Assessment Report*, Case No. PUE-2009-00121.

interested parties. Use of a preexisting TRM may avail Virginia of the ability to have a uniform set of protocols without, perhaps, having to invest a significant amount of time and resources in crafting a new, Virginia-specific TRM.

As member-owned utilities serving predominantly rural areas, flexibility is an important factor for the Cooperatives. Any recommendation to adopt a TRM for Virginia should include the ability of any utility to depart from it for good cause shown. The Cooperatives may need to depart from a uniform TRM for various reasons—demographic, geographic, topographic, etc.⁶ There may also be a reason for a Cooperative to depart from a uniform TRM because it wishes to test or experiment with an EE program that may not be appropriate for a larger or an investor-owned utility. These “departures” should be allowed for good cause shown. Flexibility is a must.

Finally, as the Commission is aware, a majority of the Virginia Cooperatives are members of a FERC-regulated wholesale generation and transmission cooperative, Old Dominion Electric Cooperative (“ODEC”). ODEC is in the early stages of exploring ways to standardize EM&V and achieve more uniform measurements of EE results amongst its Members. The Cooperative business model lends itself to economies of scale and cooperation among cooperatives. This process should be allowed to continue.

B. Cost/Benefit Questions⁷

The existing tests for purposes of cost/benefit analysis should not be replaced. To the extent there is any consideration of recommending changes to the cost/benefit analysis tests,⁸ we

⁶ See also *infra* at 7 (§ II(D)).

⁷ See *Order* at 2; and see *id.* at n.3 and accompanying text.

⁸ For instance, some of the political debate preceding the passage of the legislation that initiated the instant proceeding revolved around what the cost/benefit tests should be, how strict they are, whether they should be more lenient, and other similar elements of discussion.

believe that the tests are acceptable as they currently exist in the Code. The current provision that an EE program should not fail because of the failure of any single test⁹ should remain in the Code.

Sometimes, the Ratepayer Impact Measure (“RIM”) tests functions as a “screening” test that is used routinely by the Cooperatives when evaluating whether to even take a program forward or not. This includes screening for evaluation, measurement, and verification (“EM&V”) costs and whether those would negate any, or all, the savings generated by the EE program.

The RIM test alone should not necessarily be a determinative test, though it does an excellent job for limiting or eliminating harm to other/nonparticipating ratepayers. Each utility should have the flexibility to make an application to the Commission if a particular EE program or initiative makes sense for its customers. It is highly unlikely that a Cooperative would take forward for Commission approval an application with a significant ratepayer impact, but because the Cooperative is in the best place to judge what is appropriate for its member-owners, the option should remain open.

C. Measuring Savings

The use of “deemed savings” should definitely remain an option—it is simple, efficient, and cost effective. Deemed savings is an appropriate substitute for more costly and extensive EM&V processes, especially when applied to EE initiatives that are well-established, whose benefits and results are well-accepted, and when the beneficial actions of either the utility or the consumer, or both, are easily quantified.

As purchasers of energy as opposed to generators of energy, “levelized cost of energy” (“LCOE” or “LCSE,” or “levelized cost of saved energy”) may not be directly applicable to cooperatives. The Cooperatives look to external market-based indicators when evaluating their

⁹ Va. Code § 56-576.

cost savings from EE measures. For the most part, the Cooperatives have long-term, all-requirements wholesale power contracts. Each Cooperative has different wholesale power arrangements—some are members of a generation and transmission (“G&T”) cooperative, some are not. In each instance the Cooperatives have contracts that serve either as a proxy for, or a direct reflection of, market prices, and therefore represent the Cooperative’s avoided cost.

It is important to note that, while wholesale power costs can be avoided, some costs, such as the fixed costs of distribution facilities, cannot be avoided. The Cooperatives are distribution utilities. Generally speaking, a portion of recovering the fixed costs of the distribution system depends on revenues from volumetric sales. EE, then, in some cases, can create cost-recovery challenges for distribution utilities like the Cooperatives. This makes ensuring that all costs, including the transactional costs associated with EM&V, are adequately captured all the more important.

D. The Cooperative Difference

The Cooperatives, as member-owned utilities, are in a position to choose and decide what EE programs are right for their member-owners. Cooperatives are governed by and operated for the sole benefit of their member-owners. The membership of an electric cooperative—its owners and its customers—elect their own directors to a cooperative’s Board who then select the cooperative’s management. The Cooperatives are in the best position to determine what sort of EE programs are appropriate for their membership—taking into account the things that make any electric utility unique: demographics, housing stock, consumer behaviors and patterns, geography, topography, existing infrastructure, cost factors, etc.

The Cooperatives have a long history of supporting EE initiatives when those programs make sense for the Cooperatives' member-owners. For an additional summary of how the Cooperatives approach energy efficiency efforts, please see Exhibit A.

E. Current State of EE Programs at Virginia's Electric Cooperatives

While no Cooperative has a Commission-approved EE program as of the date of this filing, many of the Cooperatives do have approved demand response ("DR") programs, which provide system-wide benefits, and the costs of which are included in base rates. One Cooperative, Rappahannock Electric Cooperative, has a case pending before this Commission that would allow it to recover additional incremental DR costs through a rider.¹⁰

Several Cooperatives have EE initiatives that exist on a more informal basis. In addition to prepaid electric service, these include consumer education programs, lighting coupon programs, changes to security lighting tariffs to enable the use of LED technology, thermostat programs (funded at no cost to the distribution Cooperative), and others. For a list of all EE-related offerings at the Cooperatives, please see Exhibit B. Cooperatives are leaders in this field.

III. Conclusion

We believe that utilities should be able make their own decisions, without mandates, concerning which EE programs to bring to the Commission for approval. This would maintain the status quo, keep decision-making on EE programs local, enabling utilities to use the RIM test for screening should they choose to do so. The implementation of EE programs should continue to be considered on a case-by-case basis. The consideration of EE programs should take into account program investments, operating costs, and program savings, and for ongoing monitoring of such

¹⁰ See, e.g., Application of Rappahannock Electric Cooperative, *For approval of a modified incentive for A/C switch demand-side management program; and for approval of a rate adjustment clause to recover the costs of the demand-side management program pursuant to § 56-585.3 A 5 of the Code of Virginia*, Case No. PUE-2016-00019.

programs, only the least burdensome, yet sufficiently accurate, EM&V measures should be required. The Cooperatives urge that the Commission recommend no existing changes to the Code of Virginia in regards to the cost/benefit tests.

While a statewide baseline would be helpful, flexibility must be included in the adoption of any statewide uniform protocols. No TRM or EM&V protocols should be absolutely mandated for the Cooperatives. The Cooperatives should have flexibility to apply an ODEC, regional, national, or Cooperative-specific standard for good cause shown.

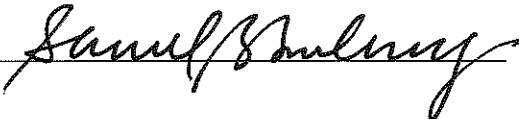
The Cooperatives remain very much in favor of better tools for EE EM&V which are cost-effective.

CONCLUSION

WHEREFORE, the Virginia Cooperatives respectfully request that the Commission accept these *Comments of the Virginia Electric Cooperatives*, consider the issues raised and discussed herein, and take responsive actions. The Cooperatives do plan to participate in the public comment session on this matter, scheduled for July 12, 2016. Finally, the Cooperatives would ask for any additional relief that the Commission may deem to be just and proper.

Respectfully submitted,

By:



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Dated: May 25, 2016

Exhibit A

The Cooperatives' Approach to Energy Efficiency

The Cooperative approach to energy efficiency is driven by the Cooperative mission—service to member-owners—and includes:

- An emphasis on energy savings as primary “compensation” to the member-owner;
- Incentive structures for management that prioritize energy savings, not energy sales;
- Key accounts managers working with commercial and industrial member-owners;
- Working with member-owners individually and educating them one-on-one, including education about:
 - Prepaid electric service programs,
 - Portable heaters,
 - Home thermostat/temperature settings,
 - Damaged heat ducts under manufactured homes, and
 - Proper functioning of well pumps;
- Longstanding support for demand-side management and demand response programs;
- Among the first utilities in the Commonwealth to widely install water heater and air conditioning switches in residential homes (lowering system-wide demand and, in turn, wholesale power costs);
- Judicious use of incentives, attempting to maximize value and consumer motivation while minimizing cross-subsidization from non-participating consumers; and
- Pioneering use of prepaid electric service programs, including at Rappahannock Electric Cooperative, Southside Electric Cooperative, Northern Neck Electric Cooperative, and Prince George Electric Cooperative. Other Cooperatives are actively considering offering a prepaid electric service program.

Exhibit B

Informal Energy Efficiency Offerings at Virginia's Electric Cooperatives

What follows is a brief list of just some of the informal EE-related offerings available at Virginia's Electric Cooperatives. Not all of these programs are available at every Cooperative.

- Customer service representatives are trained in offering energy-saving advice to Cooperative member-owners;
- Member-owners with high bill complaints are offered the opportunity to meet with a certified advisor;
- Phone messaging is used for outreach;
- Energy audits are offered, including some with advanced "blower door" testing;
- Paid advertising is used across a wide variety of media;
- Bill inserts and bill notices are used for consumer education;
- Email and video messages are used for member-owners using e-billing;
- Email and video messaging for "peak event" announcements requesting member-owners to alter their kWh usage during a peak event;
- Energy advice is provided at community events;
- Social media is used for outreach and interaction with members;
- Websites are used for outreach, as well as used to offer tools, like the Home Energy Suite, to perform an online analysis of energy usage;
- Customer-specific usage monitoring is available, both on the website and on mobile devices, including high usage alerts in various formats;
- LED lighting replacement programs and coupon programs;
- Financing programs; and
- Home air filter programs.