

# PEOPLE'S

Power & Light

# 3892

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Nov. 13, 2007

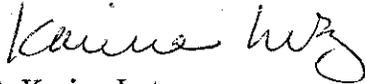
Ms. Luly Massaro  
Clerk of the Commission  
Rhode Island Public Utilities Commission  
89 Jefferson Blvd.  
Warwick, RI 02888

Dear Ms. Massaro:

On behalf of The Energy Consumers Alliance of New England, doing business as People's Power & Light in Rhode Island, I herewith file an original and nine copies of our Position in the docket no. 3892.

If you have any questions, my direct phone line is 632-0988. Thank you.

Sincerely,



B. Karina Lutz  
Director of Development and Advocacy

Encl.: Position

People's Power & Light Position on Docket No. 3892  
Nov. 13, 2007

People's Power & Light (PP&L) is a nonprofit energy consumers' alliance with a mission to make energy more affordable and environmentally sustainable for our members and all Rhode Islanders. Therefore we take a particularly keen interest in ensuring sufficient, quality energy efficiency programs, which can serve both of our public interest goals. PP&L was involved with the Energy Efficiency Collaborative all year long and agrees with much of the submitted settlement agreement document, with one very important exception.

We oppose the planned spending levels and budgets, as they constitute significant decreases from the spending in 2006, particularly for residential and small commercial customers. We understand that demand has been high for the energy efficiency programs and can be expected to increase with the current high energy prices and media attention to global warming solutions. Factors that led to the budget cuts include the lower-than-average electricity sales in 2007 and low sales expected in 2008. The System Benefit Charge (SBC) that currently funds the programs, being based on a percentage of revenues, always decreases at the worst time—when prices are high and need is greatest for energy efficiency. Fortunately, under the Comprehensive Energy Efficiency, Conservation, and Affordability Act of 2006, least cost procurement set to provide an alternate funding mechanism for the energy efficiency programs starting in 2009. Therefore, 2008 should be the last year that such a problem presents itself in this fashion. On the other hand, with least cost procurement requiring the utility to secure all cost-effective energy efficiency, and cost effectiveness of the current program at much less than the price of delivered electricity, we have a long way to go to reach those levels of program investment. This would be the worst year to cut back the programs—optimally, we should be ramping them up.

Demand for the programs proposed for continuance has been high at *current* levels of funding, and if demand is frustrated this year, it will have a detrimental effect on the smooth implementation of least cost procurement next year.

We respectfully recommend the Commission consider two options. One, objected to by the Company, is for the Commission to order the Company to continue the programs at current rates of investment, without the budget cuts, regardless of the SBC charge shortfall. Since we know these programs to be very cost-effective, they will cost less than the cost of purchasing new electricity (the basis of the least cost procurement paradigm), so the overall cost to customers should be lower. The Commission could consider 2008 the transitional year to the least cost procurement system.

The second option would be to consider raising the SBC three- to four-tenths of a mil (\$0.0003 or \$0.0004) per kilowatthour for 2008 only. The Company had prepared budgets at one point in our negotiations for a \$0.0025 increase. These were objected to by the Division on the basis of an objection to increasing any rates. The prepared 2.5 mil

increase budgets did include some budget cuts over previous years, but not as severe as those in the final settlement agreement. For most customers, this mil rate increase will be negligible. And of course, as shown in the settlement agreement's cost benefit analysis, the overall benefits far outweigh the costs.

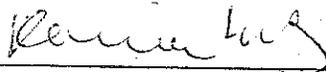
Arguments that not all customers receive the direct benefits of the energy efficiency improvements can be countered by three facts. First of all, the programs are open and available to all customers, and all may receive those cost-saving benefits if they so choose.

Secondly, high arrearages due to difficulty of low-income ratepayers in paying their electric bills can be avoided with more extensive weatherization. We believe that under the proposed budget cuts to the low-income-serving programs, more people will have to choose between paying for food and paying the electric bill, and there will be more shut offs. And to the extent that ratepayers bear the cost of arrearages and shut offs, all are affected.

Thirdly, up until the level of all cost-effective energy efficiency, the programs provide the least cost strategy—overall—to providing the amenities energy provides the whole of society. We all share in those economic benefits and other benefits that the current system of accounting does not include, such as the environmental externalities of cleaner air, a more stable climate, and better public health. (Some of those externalities *are* quantified in the Synapse Avoided Energy Cost Study used by the Collaborative in calculating the other avoided costs used in the cost benefit analysis, but the environmental externalities were not incorporated in this settlement.)

If the PUC rules to fund the 2008 program is sufficiently (at least at the level of 2007), we believe a spending priority should be an improvement of the audit programs. This is particularly important since when the Commission cut the gas programs' proposed internet audit tool in PUC Order No. 19024, no live audit was substituted. We believe a strong, comprehensive, integrated gas and electric in-house audit should be core to the overall program, and that the existing audit program should be improved as we move towards least cost procurement.

ENERGY CONSUMERS ALLIANCE OF NEW ENGLAND  
D/B/A PEOPLE'S POWER & LIGHT



Nov. 14, 2007

B. Karina Lutz

Date