Virginia State Corporation Commission
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Case Number (if already assigned) PUR-2020-00274

Case Name (if known) Application of VEPCO for approval of its 2020 DSM Update

Document Type CMMT

Document Description Summary NRDC's request that the Commission discontinue the practice of imposing arbitrary budget caps on efficiency programs is attached.

Thank you!

Total Number of Pages 3

Submission ID 22000

eFiling Date Stamp 6/7/2021 6:40:46PM

NRDC

June 7, 2021

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Mr. Joel H. Peck, Clerk
State Corporation Commission
P.O. Box 1197
Richmond, VA 23218

RE: Application of VEPCO for approval of its 2020 DSM Update

Case No. PUR-2020-274

Dear Mr. Peck,

Enclosed for filing in the above-referenced docket are NRDC's comments filed on behalf of our over 9,500 members in Virginia.

Thank you,

Walton C. Shepherd

Enc.

COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

COMMONWEALTH OF VIRGINIA, *ex rel.*
STATE CORPORATION COMMISSION

Case No. PUR-2020-274

Application of VEPCO for approval of its 2020 DSM Update

NRDC COMMENTS

The Natural Resources Defense Council (NRDC) urges the Commission to abandon Dominion's practice of imposing arbitrary budget caps on its efficiency programs: such budget limits kneecap the energy and cost savings available to ratepayers, significantly reducing the role of efficiency as a Virginia resource and further impairing our overpriced energy system and therefore our state's economy as a whole.

Arbitrarily imposing low ceilings on future energy and cost savings also fails to sufficiently serve Dominion customers, who already pay inflated rates that are the highest in the region among comparable regulated utilities and higher than most utilities in Dominion's peer group,[1] and therefore pay monthly electric bills that NRDC expects will soon be among America's Top 5 highest.[2] Capping efficiency savings as proposed will also ensure Dominion's carbon pollution reductions are unnecessarily costly and will extend our lopsided overinvestment in unnecessary, higher-cost supply-side resources.

DSM program budget caps are arbitrary and entirely divorced from the programs' actual efficacy and cost-effectiveness. In effect, Dominion's budget ceilings kneecap high-performing, bread-and-butter programs that, absent such limits, could deliver many times the limited savings we'll see, if the Commission goes along with arbitrarily limiting the programs in the manner Dominion proposes. Conversely, proposed programs that may well prove to be <u>less</u> effective than planned may be found to be budgeted too high than is justified, in terms of cost-effective savings actually delivered.

[1] *See* EIA's Annual Electric Utility data (EIA 861), available <u>here</u>.
[2] *See id.*; Virginia electric bills are currently the nation's 6th-highest; eventual Top 5 calculation made by accounting for recently-approved RACs not yet accounted for in EIA data.

Simply put, placing arbitrary budget caps on the bread-and-butter efficiency programs of this proceeding is entirely inappropriate. Proposed minimum budgets are useful as a floor for the purposes of meeting GTSA investment requirements; however, setting a pre-determined ceiling is akin to purchasing a top-of-the-line sports-car, and installing a governor capping its top speed at 50 miles per hour, and budgeting for gasoline to drive just 10,000 miles in its lifetime, before sending it to the junkyard. In supply-side terms, arbitrary budget caps to limit cost-effective efficiency measures is akin to approving a $1 billion dispatchable generating unit, but limiting its capacity factor to run just 50% of the year, and then be permanently mothballed after 5 years.

This backwards budget cap approach is fundamentally wrong for two reasons: (1) Budget caps "slow-walk" energy efficiency as a resource, by imposing a low ceiling on what should instead be a concerted plan to harvest all cost-effective savings, rather than an arbitrarily pre-determined fraction of potential savings. (2) Budget caps perversely guarantee that programs will in fact be unnecessarily inefficient, as the Company expends resources to stand up programs, only to ramp them down regardless of whether they captured all available cost-effective savings. In sum, blindly allowing the Company to spend the arbitrary sum proposed is essentially approval of a blank check to spend $162 million now, and find out later whether or not that was in fact an appropriate use of ratepayer dollars.

Rather than wastefully kneecap its own programs in this manner, Dominion should plan to capture all cost-effective savings for every proposed measure, based on the achievable savings potential of each measure; subsequent EM&V can be relied on to determine whether to continue, curtail, or expand each measure.

Therefore, **NRDC respectfully requests that** the Commission approve the eleven new programs proposed, but at a $160 million floor, with no ceiling. Future Phase IX program effectiveness and extension can be determined by requiring that Dominion file an updated filing with a potential study for each Phase IX measure, and a corresponding plan to capture all such potential savings. The Commission should also require that EM&V studies of each approved Phase IX measure confirm each program's efficacy, and then extend or curtail each program's duration accordingly.