


CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the Comments of Wal-Mart Stores East, L.P. were sent via electronic mail on the 11th day of April to all parties and staff appearing on the service list.

SIGNED under the pains and penalties of perjury.



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Dated: April 11, 2008



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April 11, 2008

Debra A. Howland
Executive Director and Secretary
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429

**RE: Energy Efficiency Rate Mechanisms, Docket No. DE 07-064
Comments of Wal-Mart East, L.P.**

Dear Ms. Howland:

Wal-Mart East, L.P. ("Wal-Mart") submits these comments pursuant to the secretarial letter issued on March 13, 2008 in Energy Efficiency Rate Mechanisms, Docket No. DE-07-064.

As an initial matter, Wal-Mart supports a well-designed decoupling mechanism in cases where the utility has invested its own capital resources in the implementation of energy efficiency measures. At the same time, Wal-Mart recommends that the Commission also consider other models which may aid in the advancement of energy efficiency goals. For example, Wal-Mart believes that, in some instances, there may be benefits associated with allowing utilities, businesses, and other third parties to participate in a competitive bid process for the opportunity to develop and implement energy efficiency programs for customers. This approach has the potential to reduce costs and enhance technological advancements, thereby increasing a program's chances for success. Additionally, Wal-Mart recommends that participating businesses and/or third parties take on the investment risk associated with developing and delivering energy efficiency programs without charging the cost back to customers. Compensation for those programs could be provided through product offering and pricing, thereby eliminating the need for development of a cost recovery mechanism or additional recovery of incentives from the ratepayers as a result of their energy efficiency achievements. Moreover, New Hampshire's energy efficiency goals can be achieved in a cost

effective manner through the implementation of appropriate targets and benchmarks applicable to competitors for that opportunity whether they be utilities, businesses, or third party providers.

If the Commission decides that utilities are best suited to provide the most cost effective and technologically advanced programs without opening the opportunity for competitive entities to serve consumers, and that utilities, in fact, are experiencing or are forecasted to experience revenue erosion because of their energy efficiency programs, then a properly designed revenue decoupling mechanism could be used to the extent that the utility has made actual capital investment in a particular energy efficiency program. Wal-Mart suggests that the Commission develop in a generic proceeding, such as a second phase to this proceeding or a rulemaking, uniform principles ensuring that the rate mechanism adopted is equally balanced and well-designed in addition to being effective in encouraging energy conservation. Wal-Mart believes it is very important to establish a revenue adjustment mechanism and process applicable to all utilities. This mechanism would involve: (1) a determination of an allowed revenue per customer through utility-specific base rate proceedings; (2) a periodic reconciliation of actual and allowed revenues which takes into account deviations in sales volumes due to factors other than the impact of energy efficiency programs; and (3) an adjustment of base rate charges to recover a target level of allowed revenues in a subsequent period.

The development of a properly designed revenue decoupling mechanism presents many complex issues applicable to all utilities, which need to be addressed fully before moving forward with tariff changes. First, Wal-Mart emphasizes that an effective revenue decoupling mechanism should start with an allowed revenue per customer determination in a base rate proceeding. Without correct “going in rates” established upfront, the period reconciliations implemented through revenue decoupling could lead to a utility over collecting from its customers.

Second, Wal-Mart submits that a properly designed revenue decoupling mechanism must include conditions requiring the utility to meet certain stated objectives for each energy efficiency program. Additionally, revenue decoupling should not provide utilities with special protection from decreased sales resulting from competition or variances in sales volumes due to natural causes not directly related to the promotion of its energy efficiency programs. If the rate decoupling mechanism allows the utilities to be compensated for lost revenues not associated with energy efficiency programs or does not fully account for these other causes, then not only will utilities receive a windfall, but the implementation of a rate decoupling mechanism actually may have a detrimental effect on the achievement of energy efficiency goals. For instance, consumers who already conserve energy could experience a higher retail rate, and potentially a higher bill, which then could operate as a disincentive for some customers to conserve energy.

There are many causes of variations in utility sales that are not related to a utility’s promotion of energy efficiency measures and demand-side resource programs, such as individual customer actions, weather, and economic conditions. For revenue decoupling to be effective and just and reasonable, revenues would need to be adjusted on a limited basis, based on the data normalized for weather, number of customers, economic conditions and other variables. For example, a decoupling rate mechanism which is not normalized for weather may have a negative impact on conservation programs. If peak periods in summer months exceed a utility’s forecasts

- such as an unusually long summer heat wave - the decoupling rate mechanism would result in lower per kWh rates because sales volumes will be above normal levels. The reduced rates would provide a financial incentive for customers to consume more electricity at a time when conservation is most needed. Revenue decoupling also can create an intergenerational inequity if new customers experience lower than average consumption relative to existing customers. Economic conditions also are an important factor. When a general slowdown in the economy occurs, the implementation of decoupling will tend to raise rates when customers already are experiencing financial constraints. Only a decoupling mechanism that properly accounts for the effect of these variables and other variables not related to energy conservation can be effective and can be deemed to be just, reasonable, and nondiscriminatory. Further, any revenue decoupling or such other mechanism adopted by the Commission should apply only to the customer class that realizes the benefits of a specific energy efficiency program.

There also are several approaches to revenue decoupling that the Commission could take. One way to stabilize utilities' revenue collection is to structure rates in a way that fixed costs are fully recovered through fixed customer charges or size-related demand charges, not through variable energy charges. Instead of declining block rates for the collection of energy costs, energy charges may need to incorporate time-of-use or real-time pricing in order to send accurate price signals to customers, so intuitive and economically sound consumption decisions can be made.

Again, these issues of general application should first be addressed in a generic proceeding to ensure uniformity among all utilities and participation by all stakeholders in an efficient process. Once general implementation principles are developed in a second phase of this docket or a separate rulemaking, Wal-Mart submits that the rates should be determined in individual tariff proceedings beginning with a base rate proceeding to establish an allowed revenue per customer.

Wal-Mart looks forward to discussing these and other issues associated with the Commission's investigation in this docket.

Respectfully submitted,

WAL-MART STORES EAST, L.P.

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