

Agency of Commerce and Community Development

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June 2, 2017

Ms. Judith Whitney
Vermont Public Service Board
112 State Street
Montpelier, VT 05620-2701

Re: EEU 2016-03 Agency of Commerce and Community Development Input Supporting Public Service Department's Budget Recommendations for Efficiency Vermont

Dear Ms. Whitney:

I am writing to provide important background information related to the Board's consideration of the Public Service Department's recommended decrease in the budget for Efficiency Vermont for 2018 through 2020. Our background will outline benefits to Vermont families as well as businesses / employers. The Agency of Commerce and Community Development (ACCD) supports the cumulative 13 percent, three-year reduction that would provide important rate reductions to Vermont employers burdened by high electricity costs. ACCD greatly respects the work of Efficiency Vermont and writes in an effort to bring another voice to the need to balance their efforts with the dramatically increasing costs and burdens to Vermonters.

Since 2012, the Energy Efficiency Charge has become a larger burden on Vermont employers, in 2017 comprising about 7 percent of a business' electric bill. Since the 2012 Demand Resource Plan was approved, the Energy Efficiency Charge has increased by more than 50 percent for commercial rate payers and more than 60 percent for industrial rate payers (Attachment A). The typical one-shift Vermont industrial user has seen an annual efficiency charges increase of \$1,100, from \$2,900 in 2012 to \$4,000 in 2017 (Attachment B). A typical Vermont retail building has seen an efficiency charge increase of \$350 from \$900 in 2012 to \$1,250 in 2017 (Attachment B). While these dollar figures may seem small, the cumulative impact since 2012 has been a \$10 million tax increase on industrial and commercial customers (Attachment C). Today, more than three dozen Vermont employers contribute over \$100,000 a year in Energy Efficiency Charges, including several exceeding \$500,000.

ACCD economic development professionals routinely hear that high electricity costs, and specifically high Energy Efficiency Charges, make doing business in Vermont challenging. Our first priority has been to ensure that the customer is connected to the efficiency utility to maximize energy efficient savings in an effort to reduce consumption and realize the maximum benefit. While some businesses have been able to take advantage of energy efficiency services, we are finding an increasing number that have maximized their efficiency and have fewer and fewer opportunities that meet their company's return on investment requirements.



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While the commercial and industrial Energy Efficiency Charge has increased by more than 50 percent in the past 5 years, there has not been a concurrent 50 percent increase in benefit to the commercial and industrial customers. According to Efficiency Vermont's 2012 annual report, the organization spent \$18,113,784 on business sector efficiency work to realize 67,687 annualized MWh savings (page 58, Annual Report 2012). According to Efficiency Vermont's 2016 annual report, the organization spent \$22,586,596 to realize 64,511 annualized MWh savings (page 61, 2016 Saving Claim Summary). Despite business sector clients paying an increase of more than 50 percent in rates, the utility realized less savings at a higher cost per MWh.

The increasing rates are placing Vermont's businesses at a competitive disadvantage. Many of Vermont's largest electric users are controlled by parent companies outside of Vermont. WestRock's Missisquoi plant in Sheldon Springs is one of the company's 20-plus global production facilities. Since 2012, WestRock has contributed \$1,614,103 in Energy Efficiency Charges and received \$254,408 of direct financial incentives from the fund. Despite being the company's second most energy efficient plant, its electricity costs are 71 percent greater than any of its other plants that make similar products. WestRock is one of several firms that have sought help from ACCD to reduce the burden of the Energy Efficiency Charge, increase the return on their investment in the Energy Efficiency Charge fund, reduce electric costs, and ultimately make doing business in Vermont more affordable.

Vermont statute (30 V.S.A. Section 218 e) requires the Public Service Board "To give effect to the policies of section 202a of this title to provide reliable and affordable energy and assure the State's economic vitality, it is critical to retain and recruit manufacturing and other businesses and to consider the impact on manufacturing and other businesses when issuing orders, adopting rules, and making other decisions affecting the cost and reliability of electricity and other fuels." In addition, the Vermont Legislature passed S. 34 earlier this year that in part reiterates the importance of ensuring the state's economic policy interests and economic vitality are considered when setting energy efficiency charge rates. The new language reads:

"Sec. 6. 30 V.S.A. §209(d)(3) is amended to read: (3) Energy efficiency charge; regulated fuels. In addition to its existing authority, the Board may establish by order or rule a volumetric charge to customers for the support of energy efficiency programs that meet the requirements of section 218c of this title, with due consideration to the State's energy policy under section 202a of this title and to its energy and economic policy interests under section 218e of this title to maintain and enhance the State's economic vitality. The charge shall be known as the energy efficiency charge, shall be shown separately on each customer's bill, and shall be paid to a fund administrator appointed by the Board and deposited into the Electric Efficiency Fund."

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ACCD believes that the Vermont Department of Public Service's proposed budget for Efficiency Vermont appropriately considers the economic vitality of that state and the needs of our rural manufacturers. We believe reducing rates further, creating rate structures that incentivize economic development, and expanding the eligible uses of the Energy Efficiency Charge (to include renewables, demand management, and enhancement to systems to ensure power quality) should also be part of the Board's future budget considerations.

ACCD's mission also includes ensuring Vermonters have access to safe and affordable housing. It is important to note that residential electric customers have also seen a 50 percent increase in their Energy Efficiency Charge since 2012. While our agency has seen first-hand the affordability enhancements an energy efficient home has for the most vulnerable, reducing monthly energy costs and creating healthier homes, these savings are made at the ever increasing costs associated with an increasing Energy Efficiency Charge. The Department of Public Service Board properly calls for a reduction in budgets to ensure these charges are not overly burdensome to a typical Vermont family.

Thank you for the Board's consideration of these concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Schirling", written in a cursive style.

Michael Schirling, Secretary
Agency of Commerce and Community Development

Attachments:

- A) Comparison of Energy Efficiency Charges 2012-2017
- B) Typical Electrical Use Data By Industry
- C) Total Energy Efficiency Charges Collected Efficiency Vermont Customers 2012-2017

Attachment A

Comparison of Energy Efficiency Charges 2012-2017 Prepared by Vermont Agency of Commerce and Community Development

Year	Residential (per kWh)	Commercial (per kWh)	Commercial w/Demand (per kWh + per kW/month)	Industrial (per kWh)	Industrial w/Demand (per Kwh + per Kw/month)
2017	\$0.01400	\$0.01192	\$0.00772 + \$1.2436	\$0.00866	\$0.00584 + \$1.3875
2016	\$0.01281	\$0.01094	\$0.00704 + \$1.1178	\$0.00775	\$0.00525 + \$1.2125
2015	\$0.01173	\$0.01008	\$0.00648 + \$1.0543	\$0.00719	\$0.00484 + \$1.1344
2014	\$0.01091	\$0.00928	\$0.00605 + \$0.9290	\$0.00657	\$0.00444 + \$1.0514
2013	\$0.01011	\$0.00867	\$0.00559 + \$0.8954	\$0.00612	\$0.00404 + \$0.9965
2012	\$0.00931	\$0.00796	\$0.00513 + \$0.8138	\$0.00541	\$0.00348 + \$0.8944
Percent Increase 202-2017	50.38	49.75	50.49 per kWh 60.07 per kW month	60.07	67.82 per kWh 55.13 per kW month

Attachment B

Typical Electrical Use Data By Industry Prepared by Vermont Agency of Commerce and Community Development June 1, 2017

Building Description	Annual electric bill	Winter monthly use (kWh)	Winter demand peak (kW)	Summer monthly use (kWh)	Summer demand peak (kW)	Annual Efficiency Charge (2012) (assumes 10% greater kWh use)	Annual Efficiency Charge (2017)
Industrial flat load (24 hour production)	\$65,000	30,000	100	35,000	120	\$3,300	\$4,500
Industrial 8 hour production	\$55,000	20,000	125	24,000	150	\$2,900	\$4,000
Warehouse	\$45,000	22,000	70	24,000	90	\$1,900	\$2,800
Retail building	\$10,000	5,000	N/A	7,000	N/A	\$900	\$1,250
Fast Food Restaurant	\$31,000	16,000	28	19,000	40	\$1,500	\$2,000
Office building	\$20,000	11,000	50	12,000	65	\$1,800	\$2,200
School – 80,000 square feet (Montpelier High S.)	\$80,000	40,000	200	30,000	100	\$4,500	\$6,600
Hospital	\$300,000	160,000	300	164,000	290	\$14,400	\$19,600

Attachment C

