Vermont Public Power Supply Authority

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June 1, 2020

Ms. Judith C. Whitney, Clerk
Vermont Public Utility Commission
112 State Street, Drawer 20
Montpelier, VT 05620

Case No. 20-0203-INV - Investigation into the establishment of reduced rates for low-income residential ratepayers of Vermont electric utilities

Dear Ms. Whitney:

Through an Order dated February 3, 2020 the Public Utility Commission ("Commission") opened an *Investigation into the establishment of reduced rates for low-income residential ratepayers of Vermont.* On April 2, 2020 the Commission requested responses to a series of questions related to this proceeding. Vermont Public Power Supply Authority ("VPPSA") offers the following general comments and responses to the Commission's questions.

General Comments:

First and foremost, VPPSA welcomes the opportunity to discuss how to best serve low-income Vermonters. As publicly owned and democratically run electric utilities, the VPPSA members are continuously motivated to operate in the best interest of the communities they serve, including the low-income population. VPPSA utilities have not historically offered income-based electric rates, but affordability of electric service has always been a deep-seated value within each municipality. The most recent available public data shows that on average, VPPSA member utilities offer residential electric rates that are 11.3% lower than what the typical Vermonter pays.

While the intent of a low-income program or rate to assist those facing financial difficulty is worthwhile, VPPSA members are concerned that a rate discount for some could lead to a rate increase for others. This could create conflict with other state goals of economic development and energy transformation. Within the broader context of economic development and sustainability, it is important to keep small and large businesses viable so that they can provide well-paying jobs for Vermonters. A low-income rate that shifts costs to other ratepayers may serve as a disincentive for businesses to locate or remain in Vermont communities. This is especially true in rural parts of

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Vermont which may face other significant infrastructure challenges to attracting and retaining employers. Additionally, rate pressure in the electric sector will ultimately undermine the transition away from fossil fuels to clean electricity that will be required to meet Vermont's ambitious energy and climate goals.

The VPPSA member municipals do not believe that *requiring* the implementation of low-income electric rates is appropriate or necessary at this time, especially given the current COVID-19 pandemic. Economic slowdown and loss of electric revenues from load decline and non-payment of utility bills have created financial challenges for utilities. While VPPSA is well-positioned to assist its member utilities, we acknowledge the significant cost pressures and recognize that the extent to which these costs will be borne by electric ratepayers overall is unclear at this point. This is a particularly challenging timing to burden taxpayers or electric ratepayers with additional costs.

Finally, this proceeding should consider not only whether low-income rates would be advantageous or helpful to low-income customers, but whether such rates would deliver the *best* benefit to such customers for the costs incurred. Implementing low-income rates will constitute an added cost to either ratepayers or taxpayers, and if additional funds are to be collected the state should ensure that these resources are deployed in the most effective manner.

It may be that low-income customers would be served more efficiently and/or successfully by enhanced energy efficiency services and Tier 3 programs that deliver ongoing cost reductions to customers or increased direct assistance for energy costs through existing channels. Efficiency Vermont's 2019 Energy Burden Report demonstrated that in multiple VPPSA member communities, residents spend a high portion of their income on energy. VPPSA has been working in partnership with Efficiency Vermont to develop targeted programming that provides long-term solutions to those who experience the greatest burden. Additionally, VPPSA has been partnering with Efficiency Vermont and other distribution utilities to explore promising opportunities to assist low-income Vermonters in beneficial electrification through enhanced Tier 3 programs. VPPSA believes that alternative solutions may provide the most effective pathway towards assisting those who need it most.

Providing a discounted electric rate for income-eligible customers, while it would help reduce the energy burden of those customers, is not necessarily the most effective method for achieving this goal. Maintaining and enhancing utility services that reduce overall energy costs on an ongoing basis promotes strong, vibrant communities. Focusing on keeping rates low for all customers may well prove more beneficial to those struggling with energy costs than a direct rate reduction that could increase costs for all ratepayers.

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Responses to Public Utility Commission Questions:

Should this proceeding be broken into two tracks, one track to consider GMP's Energy Assistance Program and a second track to deal with the other Utilities that currently do not have a low-income program?

As an initial matter, VPPSA suggests that a track for other utilities is not necessarily required. Municipal and cooperative utilities are already, by their very structure, acutely aware of the impacts their decisions have on local communities and especially the most vulnerable populations. They strive daily to keep rates as low as feasible for all consumers.

If the Commission elects to move forward in considering a program for other utilities, the proceeding should be conducted as two tracks. Evaluating Green Mountain Power's (GMP) existing low-income program should happen distinct from consideration of whether and how to implement low-income programs in all distribution utilities' service territories to avoid the presumption that the GMP program should simply be extended statewide. Municipal and cooperative utilities have a dramatically different relationship with the communities they serve than an investor owned utility does. The proceeding should be structured to allow recognition of those differences. Nonetheless, conducting the GMP track *first* could be useful in providing lessons learned for use in evaluating program structures for others.

Should the proceeding consider a state-wide low-income program, or should it consider a service-territory-by-service-territory low-income program?

The proceeding should consider a statewide program, funded with state revenue, and accounting for differences among utilities and their individual customer bases. VPPSA member utilities consider low-income support programs funded through electric rates to be counter-productive to their mission to provide safe, reliable, affordable electric service to their communities, and believe any programs targeted at income-eligible customers should be state sponsored.

Two key considerations that should be explored are the number of potentially income-eligible customers within each utilities' service territory and the existing residential electric rates of each utility. This investigation raises a host of questions and possible interpretations of equity that should be given adequate consideration. For example, should a low-income rate provide the same discount (on a percentage basis) for all utilities or tailor any discount to income-eligible customers based on utility service territory characteristics and existing rates?

Should low-income programs be supported by ratepayer funds, by a state tax, or by other means?

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If low-income electric rates are required, the funds necessary to provide these rates should be generated through a state tax. Implementing low-income rates constitutes a social policy and the cost of such a policy should be born equitably by taxpayers as a whole rather than electric ratepayers.

The VPPSA members are very concerned about rate pressures within the electric sector. Taken cumulatively, these cost pressures have the effect of increasing electric rates and hindering progress towards state climate, energy, and economic development goals. Increasing the cost of electricity makes it a less attractive alternative energy source as compared with fossil fuels. In addition, high electric rates are a deterrent to businesses locating or remaining in Vermont. For these reasons, the VPPSA members would caution against using the regulated electric utilities as the mechanism for achieving energy, climate, and social equity goals.

Some of the VPPSA members that have high percentages of low-income residents within their service territories have expressed significant concerns about the potential impact of a ratepayer-funded low-income program on non-low-income ratepayers (both residential and commercial customers). If the state decides that low-income rates should be funded via a charge to electric ratepayers, it would be appropriate to consider whether these rates should be voluntary rather than required. Currently 17 electric utilities serve Vermont customers. Green Mountain Power, the largest and only investor-owned utility already offers a low-income rate. The remaining 16 utilities are municipals and cooperatives that are governed by their members or community residents. For those utilities, the existing governance structures provide a mechanism for customers to discuss whether low-income rates are appropriate at the utility level and whether developing such programs would be the best approach to meeting overall community goals.

Should the benchmark for "low income" be 150 percent of the current federal poverty level, or should it be at another level, such as 180 percent or 200 percent?

If the state elects to move ahead with implementing low-income electric rates, the benchmark income level should be consistent with the current eligibility threshold for receiving fuel assistance through the Low Income Home Energy Assistance Program (LIHEAP), weatherization services through the Weatherization Assistance Program, or some other existing program. Establishing a consistent income guideline would enhance administrative efficiency. The distribution utilities do not have the experience, expertise, or systems to verify customer income levels and should not be responsible for doing so. It would be appropriate to rely on social service entities to verify income eligibility and set an income threshold that is consistent with other programs those entities manage.

The VPPSA members recommend using the LIHEAP income eligibility guideline (currently set at 185 percent of the federal poverty level) and note that the higher the income level that is established, the more customers will be eligible. A higher income eligibility threshold will have the effect of either increasing the cost to deliver discounted rates to income-eligible customers or result in a lower per customer discount being offered.

Do the Utilities have access to reliable information about how many qualifying low-income consumers reside in their service territory compared to how many non-low-income consumers?

The VPPSA members do not generally have this information and would need to rely on publicly available state and federal demographic data that is provided by census tract rather than by distribution utility territory.

Do the Utilities have the technological and human resources infrastructure to design and implement a low-income program?

VPPSA has the resources to assist its members in designing such a program once the data is collected and the requirements have been established. The VPPSA members lack much of the information that would be required to evaluate program options and gathering that information would represent added cost to consumers. It is too early to assess whether the utilities have sufficient technology and human resources to implement such a program since the impacts will depend on the ultimate design. VPPSA expects that implementation of any income-eligible program will require changes to technology and associated increases in costs.

Can the Utilities present potential low-income programs that could illustrate what a low-income program in their respective territories might look like and what it might cost to operate such a program?

With adequate regulatory guidance the VPPSA utilities could present illustrative low-income programs for consideration. However, it is too early in this investigation to do so. The costs of operating a low-income program will depend most significantly on the number of customers that are eligible for (and participate in) such a program and the magnitude of the rate reduction that is offered to participants. Several data points are needed for consideration before designing a low-income program; we would need to know the number of low-income electric customers in the state, which will depend on where the threshold for low-income is set. In addition, the costs to each utility will depend on whether the low-income rates are funded on a utility-by-utility basis or through a state tax that could be allocated based on need. In other words, would utilities that have a disproportionate percentage of low-income customers be eligible to receive a greater portion of statewide funds?

As stated in previous answers, the VPPSA members believe that any low-income rate should be funded through a state tax and implemented at the statewide level. If the state chooses *not* to implement a tax to fund low-income programs, some alternatives that should be considered include: 1) making the state a member of any group net metering system and allocating the revenue received to funding low-income rates in order to ensure that the financial benefits of net metering are equitably shared, 2) utilizing the "NYPA block" as a source of low-cost electricity that could be reserved for income-eligible residential customers, and 3) allowing net metering customers to donate excess credits to a fund that would be used to provide discounts to income-eligible electric customers. VPPSA looks forward to discussing these and other concepts with the Commission and stakeholders in this proceeding.

Lastly, GMP's low-income program could prove informative in estimating the costs of delivering a low-income rate. It would be helpful to understand how much the current low-income rate being offered by GMP has cost non-low-income customers, including the administrative costs to the utility of offering this rate.

Thank you for your consideration of these comments. Please contact me with any questions you may have (mbailey@vppsa.com).

Sincerely,

Melissa Bailey
Manager of Government and Member Relations
Vermont Public Power Supply Authority