This document has been electronically filed using ePUC

STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Determination of 2022 Energy Efficiency Charge Rates	Case No. 20-2022-INV
2016-17 Demand Resources Plan proceeding	Case No. EEU-2016-03

DEPARTMENT OF PUBLIC SERVICE'S COMMENTS ON EFFICIENCY VERMONT'S PROPOSED 2021 ENERGY EFFICIENCY CHARGE RATES

On September 4, 2020, Efficiency Vermont ("EVT") filed a proposed alternative methodology for calculating 2021 Energy Efficiency Charge ("EEC") rates. As part of this alternative methodology, Efficiency Vermont filed a request to reduce its approved resource acquisition and customer credit budgets for the 2018-2020 performance period. On September 14, 2020, following a status conference held on September 11, 2020, the Public Utility Commission ("PUC" or "Commission") issued a scheduling Order in Case No. EEU-2016-03 requesting comments on Efficiency Vermont's budget proposal by September 30th, with comments on Efficiency Vermont's Quantifiable Performance Indicator ("QPI") targets on October 5th. In addition, pursuant to Commission Rule 5.306 (B) comments about proposed alternative methodologies shall be filed by September 30th. The Department of Public Service ("PSD" or "Department") provides the following comments regarding Efficiency Vermont's proposed EEC alternative calculation method and Efficiency Vermont's reduced budget request.

These comments address three core pieces of the Efficiency Vermont's filings: (1) the budget reduction proposal; (2) the proposed departure from the traditional EEC calculation method that strives to achieve equitable contributions across rate classes; and (3) the proposed 1.62% increase in efficiency charges applied to all rate classes. As Efficiency Vermont points out and the Commission is well aware, Vermont remains in the midst of responding to the global pandemic. COVID-19 has significantly impacted consumption patterns across sectors. The Department recognizes that Efficiency Vermont has taken a number of significant, positive steps that have assisted in Vermont's COVID-19 response, including offering call-center assistance to the state, modifying program delivery to better target programs where they are needed, and looking ahead to 2021 to manage the energy efficiency charge to minimize increased costs for customers at this time of economic uncertainty. As described below, the Department supports Efficiency Vermont's proposals for budget reduction and alternative EEC calculation structure. However, the Department concludes that Efficiency Vermont's proposed 1.62% increase in rates is not in the best interest of Vermont ratepayers at this time. Instead, the Department proposes that all EEC rates be held constant at 2020 levels for 2021.

Efficiency Vermont Budget Reduction Proposal

As a result of recent consumption pattern changes and other impacts associated with the pandemic, Efficiency Vermont has recognized that 2020 EEC collections have been lower than originally projected. On its current course, and even with the alternative methodology proposed by Efficiency Vermont, absent further action from the Commission Efficiency Vermont estimates that significant increases in energy efficiency collections would be necessary to recoup currently estimated under-collections.[1] To respond, Efficiency Vermont has proposed a 2020 resource acquisition budget adjustment of $1,432,510.[2] The Department recognizes that it is

[1] Efficiency Vermont comments Re: Case No. 20-2022-INV, Calculation of the Efficiency Vermont Energy Efficiency Charge ("EEC") Rates for Calendar Year 2021, page 2.
[2] *Id.* See for example Table 2, Line O.

possible that cost-effective energy efficiency could be acquired with these funds in 2020, or if unspent in 2020 as carried over into the next performance period.

In Case No. 19-3272-PET (the 2021-23 Demand Resource Plan ("DRP") Proceeding), total budgets proposed by the Department were structured to acquire all reasonably available cost-effective efficiency while, all else being equal, hold efficiency charges constant. This recommendation is consistent with the results of the Stakeholder engagement process that was conducted by Efficiency Vermont prior to the DRP in 2019. It is also consistent with state policy encouraging electrification – keeping electric costs low is crucial to the economic calculus of customers and encouraging fuel switches. Avoiding upward pressure to the EEC remains important, particularly as Vermont continues to deal with COVID-19. In light of and because of the pandemic, Efficiency Vermont's proposed budget reduction is appropriate. The Department supports EVT's budget reduction proposal.

Efficiency Vermont's Alternative Methodology Structure

Even with the proposed budget adjustment, because consumption patterns have changed so dramatically, the Rule 5.300 methodology would lead to significant variability in the EEC – an 11.5% decrease in rates for the residential sector, along with a 21.9% *increase* in rates for the commercial sector and 6.3% decrease in rates for the industrial sector.[3] Generally, the EEC should be structured to collect funds in a manner consistent with expenditures in the sector. The DRP has historically modeled an increasing amount of spending from the residential sector to "catch up" residential program investments to the residential collections. Some cross-subsidy

[3] *Id.,* Table 4.

from the residential sector to the commercial sector has been acceptable (many societal benefits of efficiency accrue to all ratepayers, regardless of sector) but a gradual transition toward sector equity has been desirable. Efficiency Vermont's alternative methodology exacerbates this cross-subsidy for 2021 by not adjusting the rates consistent with the expected changes in consumption. It does so to avoid significant year-over-year variability in rates. Many impacts of COVID-19 to consumption patterns will be temporary; others will be lasting. Making substantial changes to the collections for each sector based on the one-year trend associated with COVID-19 – as would be the result from the Rule 5.300 methodology, is not appropriate. Much more will be known about the consumption patterns for the remainder of 2020 and into 2021 next year. If changes to methodology are necessary to better realign collections with spending, the process will be better served with greater information in 2021, when more gradual shifts can occur.

Efficiency Vermont's Proposal for a 1.62% Increase in Efficiency Charge Rates.

As indicated above, EEC collections are highly dependent on the amount of sales in each sector. The forecast of sales – particularly in these uncertain times – is challenging. The timing and speed of economic recovery, and changes to the nature of how Vermonters work (e.g. telecommuting versus reporting to work in offices) could be lasting, at least in part. Upon review of the EEC calculation, the Department suggests that several of the assumptions made by Efficiency Vermont are conservative, and that more consumption may occur in 2021 than was assumed by Efficiency Vermont. While we do not provide an independent forecast of sales here, we highlight several areas that directionally point to potential higher consumption than estimated by Efficiency Vermont, which – with Efficiency Vermont's proposed budget adjustment - allows for the EEC rates to remain constant while collecting sufficient revenue to fund the budget in 2021. In the event that Efficiency Vermont's more conservative forecast proves true, mechanisms exist to adjust collections in the future to true up the fund.

Regarding the forecast, the Department highlights two areas that could directionally be expected to increase consumption above what was forecasted by Efficiency Vermont. First, it is the Department's understanding that Efficiency Vermont assumes residential loads will be equal to 2019 loads, while commercial loads will continue to see the deleterious impacts from COVID-19, with over a 7% reduction.[4] These assumptions appear to be inconsistent – COVID-19 has affected both customer classes; if impacts continue into 2021, they will likely continue for both sectors. Thus, the residential sector could be assumed to continue to see higher loads than forecasted by Efficiency Vermont, or if the residential sector loads are expected to be back to historical levels, the commercial sector could see greater loads as Vermonters return to offices.

Second, Efficiency Vermont appears to rely on trends from reported 2018-2019 loads to forecast 2021.[5] However, one-year fluctuations in actual load can arise due to any number of factors, and caution should be used when looking at such a short window to develop a trend. In this instance, 2018 saw more extreme weather than average, while 2019 was a much more "weather normal" year.[6] The trend forecasted by Efficiency Vermont likely overstates the

---

[4] *Id.,* Appendix A.
[5] *Id.,* Appendix A.
[6] See, for example, ISO-NE's Net Energy and Peak Load Report available at https://www.iso-ne.com/isoexpress/web/reports/load-and-demand/-/tree/net-ener-peak-load. Weather adjustments (as well as smaller calendar day adjustments) can be seen in column I, 'normalized NEL (GWh)', which shows monthly normalized load. When summing these normalized loads, 2018 loads are only slightly higher than 2019 loads Column Q, 'Total Adjmnts GWh' shows the total adjustments made to normalize for weather and calendar days.

decline in load because it doesn't normalize for weather impacts. Generally, one-year, non-weather normalized data is not a good basis on which to forecast load.

Despite what the Department perceives to be conservatism, a confluence of factors could indeed make Efficiency Vermont's forecast become a reality – mild temperatures in both the winter and summer, unpredictable COVID-19 impacts, or other factors could all affect load significantly. The 1.62% rate increase will generate approximately $750,000 in collections greater than there would be if there was no rate increase under EVT's alternative methodology. If the Commission approved flat EEC rates, and EVT's predictions come true leading to a $750,000 under-collection in 2020, the difference could be trued up in 2021 in a number of ways.[7] For example, The Commission could allocate any unspent funds from the 2018-2020 performance period as a credit to 2022 rates, increase rates in 2022, lower the 2022 budget, or make a mid-year adjustment to rates. Not all of these choices are ideal, but increasing electric rates during a pandemic is not ideal, either. Because the amount of revenue increase is relatively small, Efficiency Vermont's forecast appears to be conservative, and there are methods to address under-collections, the Department does not support a 1.62% EEC rate increase as proposed by Efficiency Vermont. Continued stability in rates will be a small help to Vermonters and Vermont businesses in these uncertain times.

For the above reasons, the Department recommends that the Commission approve Efficiency Vermont's budget reduction proposal and the structure of Efficiency Vermont's

[7] The Department also notes that Efficiency Vermont's DRP proposal budget for 2021 is slightly higher than the Department's. If the Commission utilizes the Department's recommended DRP budget, the under-collection would be smaller.

alternative EEC calculation methodology. However, the Department recommends that the EEC rates should remain constant from 2020 to 2021; Efficiency Vermont's proposal for a 1.62% EEC rate increase across classes should not be adopted.

Dated at Montpelier, Vermont this 30th day of September, 2020.

Vermont Department of Public Service

By: /s/ Megan Ludwig
Megan Ludwig
Special Counsel
Department of Public Service
112 State Street
Montpelier, VT 05620
(802) 828-4014
Megan.ludwig@vermont.gov