Electronically filed via ePUC

November 2, 2020

Judith Whitney, Clerk
Vermont Public Utility Commission
112 Main Street
Drawer 20
Montpelier, VT 05620-2701

Re: Case No. 20-2022-INV, Setting the 2021 Energy Efficiency Charge Rates

Dear Ms. Whitney:

Vermont Gas Systems, Inc. ("VGS" or "Company") hereby submits this letter and the attached spreadsheet to provide the information necessary for its resubmitted calculation on the proposed VGS energy efficiency charge ("EEC") for 2021 pursuant to the Public Utility Commission's ("Commission" or "PUC") order dated October 23, 2020 in the above mentioned case. The updated calculations reflect the Commission's decision on VGS's Demand Resource Plan Budgets[1] in Case No. 19-3272 according to Commission Rule 5.300.[2]

In summary, the VGS EEC calculations set forth below are consistent with Table 2 from VGS's October 1, 2020 original submission, which was based on the Department of Public Service's ("Department's") proposal in the DRP proceeding. The minor differences from that calculation, as discussed in more detail below, stem from an update to the under collection amount, but the resulting EEC charge in each customer class and the overall percent change is consistent with what VGS filed in Table 2 on October 1, 2020.

The VGS EEC calculations include the agreed upon financing mechanism approved by the Commission with an objective to smooth the rate impact associated with the VGS efficiency program spending and savings. There remain questions about the timing of financing that are undetermined. For example, if the EEC generates sufficient revenue to fund the efficiency programs through June, only 6 months of carrying costs would be necessary, or if the programs get off to a slower start and the EEC generates sufficient revenue to fund the programs through

---

[1] Case No. 19-3272-PET Petition of PSD to initiate an EEU DRP proceeding for the 2021-2023 performance period, order entered 10/22/2020.
[2] Case No. 17-4697-INV Rule 5.300 PUC amended on 8/26/2019.

September, only 3 months of carrying costs would be necessary. To address this uncertainty, VGS has proposed in its calculations below that carrying costs not be recovered on the unamortized balances in 2021. Instead, VGS proposes recovering carrying costs on 2021 balances with its 2022 EEC calculation.

VGS also included the Commission-approved reallocation of unspent 2015-2017 Energy Efficiency Funds[3] as a return to the ratepayer in the form of a $177,840 offset to EEC 2021 rates, and under collections from prior reporting periods. The updated load projections from the most recent natural gas rate filing[4], which were made pursuant to Rule 5.304(F), slightly exceeded those used in modeling for the DRP. The cumulative impact of these credits and debits resulted in lower investment levels needed for 2021, which differ from the projected investment levels[5] proposed by the Department during the DRP proceeding. This is largely because the credit to ratepayers of unspent 2015-2017 funds obviates the need to finance that amount during 2021.

The following table reflects the proposed VGS 2021 EEC charges by rate class, which have an overall 3.1% EEC rate increase. The overall weighted Mcf proposed rate for 2021 is .3630 which is slightly less than the Department average Mcf rate of .3633 projected during DRP proceedings—the difference is primarily attributable to the reallocation of funds returned to the ratepayer. VGS has conferred with the Department about these proposed rates prior to making this filing.

[3] Case No. 20-2241-PET Petition of the PSD to open a proceeding in determination of reallocation of unspent 2015-2017 EEU funds order approved 9/24/2020.

[4] Load projections by rate class from VGS's August 2020 Purchase Gas Adjustment filing, which was approved by the PUC October 29, 2020 in Case No. 20-2419.

[5] In the DRP order, PUC approved a $1,205,755 investment amount based on the proposal provided by the Department.

Table 1: EEC 2021 Rates - Based on VGS DRP Proposal using financing mechanism

Attachment: VGS Proposed 2021 EEC rates

	Forecasted 2021 Mcf	Current GEEC Rates	Projected GEEC Revenues at Current Rates	Class Share GEEC Revenues at Current Rates	GEEC To Be Billed by Rate Class	Proposed GEEC Rates per MCf	VGS Proposal Proposed GEEC Rates per CCf	 Percent Change GEEC
Residential	3,814,078	0.0480	$1,830,758	52.4%	$1,886,899	0.4947	0.0495	3.1%
Low Income	189,267	0.0384	$72,678	2.08%	$74,907	0.3958	0.0396	3.1%
G1 Class	625,765	0.0454	$284,097	8.1%	$292,809	0.4679	0.0468	3.1%
G2 Class	202,541	0.0352	$71,294	2.0%	$73,481	0.3628	0.0363	3.1%
G3 Class	732,801	0.0354	$259,412	7.4%	$267,367	0.3649	0.0365	3.1%
G4 Class	1,545,171	0.0273	$421,832	12.1%	$434,767	0.2814	0.0281	3.1%
Interruptible	2,811,895	0.0197	$553,943	16%	$570,930	0.2030	0.0203	3.0%
Totals	9,921,518	0.0352	$3,494,014	100.0%	$3,601,161	0.3630	0.0363	3.1%

VGS Proposed Budget 2021	$ 4,593,333	VGS PUC order dated 10/22/2020 in case 19-3272-PET
Give back per Case 20-2241	$ (177,840)	VGS reallocation of leftover funds from prior reporting year case 20-2241
Under Collections	$ 3,593	
CY2021 Funding requirements	$ 4,419,086	
VGS BAU EEU Natural Gas EEC FUND Collections 2021	$ 3,494,014	Projected fund collections at current rates (Business as Usual)
Difference to be Financed	$ 925,071	Level of investment for 2021 (CY2021 Funding requirements - VGS BAU Collections)
Amorization of Difference to be Financed	$ 61,671	AMORTIZATION OF PRINCIPAL ONLY (level of financing divided by 15 years)
Amount to be collected in EEC	$3,555,686	Fund collections plus principal on loan only -
Total EEC Collection required for 2021	$3,601,161	Adjusted for GRT and Weatherization
Gross receipts tax	0.987372128	GRT increased to .00525 effective 7/1/19. DPS/PUC remains at .003. Wx .0075
GRT times Wx	1.012789375	

Pending regulatory approval, VGS will notify its customers of the proposed changes beginning with bills rendered on and after December l, 2020. Per Rule 5.300, the 2021 EEC is proposed to be effective with bills rendered on and after February 1, 2021.

VGS will continue its focus on helping customers reduce their energy usage, save money, and lessen their impact to the environment by investing in efficiency measures. As always, I am available to answer any questions you may have regarding this filing.

Sincerely,

Karen Horne

Karen Horne
Energy Analyst

Attachment A: Accompanying spreadsheet

Cc: Sean Foley, TJ Poor, Brian Cotterill, Keith Levenson, DPS