Electronically filed via ePUC

November 10, 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 clarification on the proposed VGS energy efficiency charge ("EEC") for 2021 in response to the Public Utility Commission's ("Commission" or "PUC") order dated November 3, 2020, in the above mentioned case. In that order, the Commission requested that VGS "confer with the Department of Public Service ('Department') and confirm that its energy efficiency charge calculation reflects the Commission's decision, based on the Department's proposal, that 'business as usual' energy efficiency charge collections should be reduced by $75,000." If the November 2, 2020 submission by VGS did not reflect that decision, VGS was ordered to resubmit its calculation in conformance with the Commission's order in the Demand Resources Plan proceedings, Case No. 19-3272.[1]

VGS has conferred with the Department on this issue and understands that the Department will file its own statement. The Department's proposal in the DRP proceedings set forth a framework for smoothing the rate impact of the proposed investments by VGS by adjusting the amount financed to determine the EEC rate. In general terms, this was done by taking the budget, subtracting out business as usual collections, and adding an additional amount to be financed (and taking that amount out of collections) to achieve a desired rate path. During the first year of the DRP, and based on the numbers at hand during those proceedings, the Department calculated that to achieve an average EEC rate of 0.363, VGS should finance an additional $75,000.[2] VGS's

[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] This amount is roughly equal to the estimated carrying costs for the first year of the financing. Because the carrying costs will be included in 2022 rates, there is no need to include the additional $75,000 on the loan amount for the 2021 rate.

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EEC filing of November 2, 2020 similarly reflected an average EEC rate of 0.363. Accordingly, a $75,000 adjustment is not required to achieve both the rate smoothing and average EEC rate proposed by the DPS, and no adjustment to the EEC as filed by VGS is required.[3]

VGS does not understand the Commission's order as requiring that VGS increase its investment amount by the fixed amounts each year in the Department's proposal, rather, the Department's proposal sets forth a flexible approach for determining the EEC rate. We understand the Commission's approval of "the Department's proposed . . . investment levels" to mean the levels necessary to meet the rate path. By agreeing with the Department on the financing mechanism, VGS understood that it was agreeing to a rate path, and that it could use the flexibility in the financed amount to achieve that rate path. Although the adjustment was not needed for 2021 rates, in future years, VGS may use the adjustment to the financed amount to achieve the agreed-upon rate path, particularly if there are swings with collections due to warmer or colder weather.

The table below 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 .363.

[3] The DPS proposal included a full 12 months of carrying costs on the first year of financing. As VGS explained in its November 2, 2020 letter, it has not included the carrying costs on the financing amount as the timing of when those costs would be incurred is unknown. With the carrying costs and the $75,000 loan adjustment essentially equal, by leaving out the carrying costs, the $75,000 loan adjustment is not needed.

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

Attachment: VGS Proposed 2021 EEC rates

							VGS Proposal	
	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**	**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	0.03522	$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	

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