

STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 19-3272-PET

Petition of Vermont Department of Public Service to initiate an EEU Demand Resources Plan proceeding for the 2021-2023 performance period	
---	--

Order entered: 08/23/2021

ORDER GRANTING VERMONT GAS SYSTEMS, INC. MOTION TO ADDRESS PERFORMANCE INCENTIVE MECHANISM IN THE NEXT DEMAND RESOURCES PLAN PROCEEDING

I. INTRODUCTION

On October 20, 2020, the Vermont Public Utility Commission (“Commission”) issued an Order approving the 2021-2023 Demand Resources Plan (“DRP”) for Vermont Gas Systems, Inc. (“Vermont Gas”). The Commission directed Vermont Gas to consult with the Vermont Department of Public Service regarding the implementation of a performance incentive mechanism that rewards performance relative to efficiency goals rather than spending, and to file a proposal within nine months. Vermont Gas filed a motion seeking permission from the Commission to address the topic of a performance incentive mechanism in the context of the next DRP proceeding. We grant the motion.

II. BACKGROUND AND PROCEDURAL HISTORY

In the October 20 Order, the Commission approved Vermont Gas’s proposal to finance a portion of its energy efficiency budget through its normal debt and equity capital providers and to amortize the investments over 15 years. The Commission approved a 100-basis-point reduction in the return-on-equity component of Vermont Gas’s weighted average cost of capital to reflect the relatively lower risk of these energy efficiency investments. The Commission also agreed with the Department that it would be preferable to tie any returns to the Company to its performance relative to efficiency goals, rather than to spending. Accordingly, the Commission directed Vermont Gas to: (1) engage with the Department to consider a performance incentive mechanism; (2) file status reports regarding its investigations into this topic three and six months after the October 20 Order; and (3) file a proposal within nine months of the order. The

Commission stated that it would consider a proposal before the next DRP proceeding, which is expected to begin in the summer of 2022.

On January 22, 2021, and April 22, 2021, Vermont Gas filed the required status reports. Vermont Gas stated that it had met and exchanged information with the Department regarding performance incentive mechanisms, and that the parties were evaluating two alternative structures for Vermont Gas's performance incentive mechanism.

On July 20, 2021, Vermont Gas filed its motion seeking the Commission's permission to address the topic of a performance incentive mechanism in the context of the next DRP proceeding. The motion was accompanied by the affidavit of Timothy Perrin, the Energy Efficiency & Innovation Manager for Vermont Gas. On the same day, the Department filed a letter in support of the motion.

No other comments addressing the motion have been filed.

III. DISCUSSION AND CONCLUSION

Vermont Gas states that it has worked closely with the Department on developing a performance incentive mechanism, yet the parties have been unable to develop a performance incentive mechanism that is appropriately sized to incentivize Vermont Gas without also resulting in a significant impact to rates. Vermont Gas states that it modeled two potential structures — Basis Point Reduction and Percent of Budget — and provided figures that describe the potential award amounts and how they relate to the financed amount and the overall budget. Vermont Gas also indicates that the best option may be to have no performance award because it has the least impact on its customers and because Vermont Gas is highly motivated to perform well as an energy efficiency utility. Vermont Gas contends that it will be better able to evaluate additional possible mechanisms in the context of the next DRP proceeding where there will be more opportunity to consider and model the impacts of a performance incentive while determining budgets and quantifiable performance indicators. Therefore, Vermont Gas requests that it be permitted to address the issue of a performance incentive mechanism in the context of the next DRP proceeding.

The Department acknowledges that it has been in discussions with Vermont Gas, and that the parties have been unable to agree upon an incentive mechanism. Therefore, the Department

agrees that it is appropriate to defer consideration of a performance incentive mechanism until the next DRP proceeding commences.

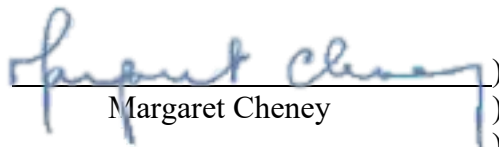
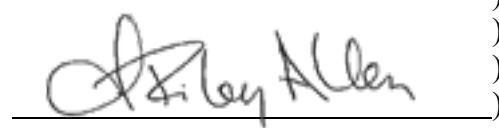
When we directed Vermont Gas to investigate a potential performance incentive mechanism, we did so with the Department's testimony in mind that "[i]mplementation of a true performance-based structure for Vermont Gas may be complicated by several factors, including amortization of only a portion of spending and the relatively small size and scope of efficiency investments. It is not clear whether adjustments to return provide sufficient incentive to perform."¹ An energy efficiency performance incentive mechanism would be new to Vermont Gas, and apparently the parties continue to grapple with the complications previously identified. It is reasonable, therefore, to grant Vermont Gas's request and allow it to address the Commission's directive to propose a performance incentive mechanism as part of its next DRP. We expect Vermont Gas to address this topic as part of its initial comprehensive DRP proposal.

In granting the motion, we direct Vermont Gas to file, and we invite the Department to file, within 30 days of this order, a bibliography of all literature and other sources reviewed in the investigation of performance incentive mechanisms, including those in other jurisdictions. This information will assist the Commission staff in preparing for review of the performance incentive mechanism proposal when Vermont Gas files its next DRP.

SO ORDERED.

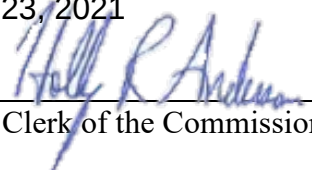
¹ Case No. 19-3272-PET, Order of 10/20/20 at 23 (Poor).

Dated at Montpelier, Vermont, this 23rd day of August, 2021.

 Margaret Cheney	)	PUBLIC UTILITY COMMISSION OF VERMONT
	)	
 J. Riley Allen	)	
	)	

OFFICE OF THE CLERK

Filed: August 23, 2021

Attest: 
Clerk of the Commission

Notice to Readers: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Commission (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: puc.clerk@vermont.gov)

PUC Case No. 19-3272-PET - SERVICE LIST

Parties:

Carolyn Browne Anderson, Esq. (for Green Mountain Power Corporation)
Green Mountain Power Corporation
2152 Post Road
Rutland, VT 05702
carolyn.anderson@greenmountainpower.com

Dale Azaria, Esq. (for Conservation Law Foundation)
Conservation Law Foundation
15 East State St., Suite 4
Montpelier, VT 05602
dazaria@clf.org

Reginald Beliveau, Jr. (for Swanton Village, Inc. Electric
Swanton Village, Inc. Electric Department Department)
P.O. Box 279
120 First Street
Swanton, VT 05488
rbeliveau@swanton.net

Meredith Birkett (for Village of Johnson Water & Light
Village of Johnson Water & Light Department Department)
P.O. Box 603
Johnson, VT 05656
vojmanager@townofjohnson.com

Debra L. Bouffard, Esq. (for Vermont Gas Systems, Inc.)
Sheehey Furlong & Behm
30 Main Street, 6th Floor
P.O. Box 66
Burlington, VT 05402-0066
dbouffard@sheeheyvt.com

Victoria J. Brown, Esq. (for Vermont Electric Cooperative Inc.)
Vermont Electric Cooperative, Inc.
42 Wescom Road
Johnson, VT 05656
vbrown@vermontelectric.coop

Ellen Burt
Town of Stowe Electric Department
P.O.Box 190
Stowe, VT 05672
eburt@stoweelectric.com

(for Town of Stowe Electric Department)

William F. Ellis
McNeil, Leddy & Sheahan
271 South Union Street
Burlington, VT 05401
wellis@mcneilvt.com

(for City of Burlington Electric Department)

William F. Ellis
McNeil, Leddy & Sheahan
271 South Union Street
Burlington, VT 05401
wellis@mcneilvt.com

(for Vermont Public Power Supply Authority)

Jonathan Elwell
Village of Enosburg Falls Water & Light
42 Village Drive
Enosburg Falls, VT 05450
jelwell@enosburg.net

(for Village of Enosburg Falls Water & Light
Department Inc.)

Elijah D Emerson, Esq.
Primmer Piper Eggleston & Cramer PC
PO Box 1309
Montpelier, VT 05601
eemerson@primmer.com

(for Town of Northfield Electric Department)
(for Village of Johnson Water & Light
Department) (for Village of Enosburg Falls
Water & Light Department Inc.) (for Town of
Hardwick Electric Department)

Steven R Farman
Vermont Public Power Supply Authority
5195 Waterbury-Stowe rd
Waterbury Center, VT 05766
sfarman@vppsa.com

(for Vermont Public Power Supply Authority)

James Gibbons
City of Burlington Electric Department
585 Pine Street
Burlington, VT 05401
jgibbons@burlingtonelectric.com

(for City of Burlington Electric Department)

Michael J. Hall
Stackpole & French Law Offices
PO Box 819
Stowe, VT 05672
mhall@stackpolefrench.com

(for Town of Stowe Electric Department)

Bill Humphrey
Village of Lyndonville Electric Department
P.O. Box 167
20 Park Avenue
Lyndonville, VT 05851
bhumphrey@lyndonvilleelectric.com

(for Village of Lyndonville Electric Department)

Penny Jones
Village of Morrisville Water & Light
Department
857 Elmore Street
Morrisville, VT 05661
pjones@mwlvt.com

(for Village of Morrisville Water & Light Department)

Katelyn Kran
Barton Village Inc. Electric Department
kkran@bartonvt.com

(for Barton Village Inc. Electric Department)

Michael Lazorchak
Town of Stowe Electric Department
PO Box 190
Stowe, VT 05672
mlazorchak@stoweelectric.com

(for Town of Stowe Electric Department)

Megan Ludwig, Esq.
Vermont Department of Public Service
112 State Street
Montpelier, VT 05620-2601
megan.ludwig@vermont.gov

(for Vermont Department of Public Service)

Tom Lyle
Burlington Electric Department
585 Pine St
Burlington, VT 05401
tlyle@burlingtonelectric.com

(for City of Burlington Electric Department)

Mari McClure
Green Mountain Power Corporation
163 Acorn Lane
Colchester, VT 05446
ceo@greenmountainpower.com

(for Green Mountain Power Corporation)

Joseph McKearin
Green Mountain Power Corporation
2152 Post Road
Rutland, VT 05701
Joseph.McKearin@greenmountainpower.com

(for Green Mountain Power Corporation)

Pamela Moore
Village of Jacksonville Electric Company
P.O. Box 169
Jacksonville, VT 05342
sfarman@live.com

(for Village of Jacksonville Electric Company)

John Morley
Village of Orleans Electric Department
Municipal Building
One Memorial Square
Orleans, VT 05860
jmorley@villageoforleansvt.org

(for Village of Orleans Electric Department)

Ken Nolan
Vermont Public Power Supply Authority
P.O. Box 126
Waterbury Center, VT 05677
knolan@vppsa.com

(for Vermont Public Power Supply Authority)

Colin Owyang, Esq.
Vermont Electric Power Company, Inc.
366 Pinnacle Ridge Road
Rutland, VT 05701
cowyang@velco.com

(for Vermont Electric Power Company, Inc.)

Thomas Petraska
Village of Ludlow Electric Light Department
9 Pond Street
Ludlow, VT 05149
tpetraska@tds.net

(for Village of Ludlow Electric Light
Department)

Jill Pfenning
Vermont Gas Systems, Inc.
85 Swift Street
South Burlington, VT 05403
jpfenning@vermontgas.com

(for Vermont Gas Systems, Inc.)

Patricia Richards
Washington Electric Cooperative, Inc.
P.O. Box 8
East Montpelier, VT 05651
patty.richards@wec.coop

(for Washington Electric Cooperative Inc.)

Carol Robertson
Village of Hyde Park Electric Department
P.O. Box 400
Hyde Park, VT 05655
carol.robertson@hydeparkvt.com

(for Village of Hyde Park Electric Department)

Jeffrey Schulz
Town of Northfield Electric Department
51 South Main Street
Northfield, VT 05663
jschulz@northfield.vt.us

(for Town of Northfield Electric Department)

Ronald A. Shems, Esq.
Tarrant, Gillies, Richardson & Shems
P.O. Box 1440
Montpelier, VT 05601-1440
rshems@tarrantgillies.com

(for Washington Electric Cooperative Inc.)

Morris L. Silver, Esq.
Law Offices of Morris L. Silver, Esq.
P.O. Box 606
Benson, VT 05731-0606
mlsilver@sover.net

(for Efficiency Vermont - Vermont Energy
Investment Corporation)

Darren Springer
City of Burlington Electric Department
585 Pine Street
Burlington, VT 05401
dspringer@burlingtonelectric.com

(for City of Burlington Electric Department)

Emily Stebbins-Wheelock
City of Burlington Electric Department
585 Pine Street
Burlington, VT 05401
estebbins-wheelock@burlingtonelectric.com

(for City of Burlington Electric Department)

Michael Sullivan
Town of Hardwick Electric Department
P.O. Box 516
Hardwick, VT 05843
msullivan@hardwickelectric.com

(for Town of Hardwick Electric Department)

Rebecca Towne
Vermont Electric Cooperative, Inc.
42 Wescom Road
Johnson, VT 05656
rtowne@vermontelectric.coop

(for Vermont Electric Cooperative Inc.)

Matthew J. Walker
Efficiency Vermont-Vermont Energy
Investment Corporation
20 Winooski Falls Way
5th Floor
Winooski, VT 05404
mjwalker@veic.org

(for Efficiency Vermont - Vermont Energy
Investment Corporation)

David C. Westman
Efficiency Vermont - Vermont Energy
Investment Corporation
20 Winooski Falls Way
5th Floor
Winooski, VT 05404
dwestman@veic.org

(for Efficiency Vermont - Vermont Energy
Investment Corporation)

Chase Whiting, Esq.
Conservation Law Foundation
CLF 15 East State Street, Suite 4
Montpelier, VT 05602
cwhiting@clf.org

(for Conservation Law Foundation)

Chase Whiting, Esq.
Conservation Law Foundation
CLF 15 East State Street, Suite 4
Montpelier, VT 05602
cwhiting@clf.org

(for Conservation Law Foundation)