



June 2, 2023

Ms. Holly Anderson, Clerk
Vermont Public Utility Commission
Montpelier, VT 05620

Re: Petition to transfer Thermal Energy & Process Fuel ("TEPF") funds

Dear Ms. Anderson,

In accordance with the City of Burlington Electric Department's ("BED") Order of Appointment¹, BED requests the Public Utility Commission's ("Commission") approval to transfer previously approved funds in the amount of \$500,000 from BED's traditional TEPF programs (i.e., non-regulated fuel weatherization and VERMODs) and authorize the use of those funds for its District Energy System ("DES") support program.

BED has received prior authorization from the Commission to spend a total of \$1,668,589 of TEPF funds on DES support through calendar year 2023 over two Demand Response Plan ("DRP") performance periods (\$1,254,875 in Case No. 17-4927 and \$413,714 in Case No. 19-3272).

In Case No. 17-4927, the Commission approved a \$1.879 million total TEPF budget for the 2018–2020 performance period.² As shown in the table below, that approved budget included authorization for \$1.255 million in funding specifically for DES Support.³

¹ See Case No. 18–2867-INV, Order of 11/26/2019, Section III 3 (D) and (E).

² See Case 17–4927, Order of January 11, 2018, at 9.

³Subsequent to the Commission's January 11, 2018 Order in Case 17-4927, the Vermont legislature enacted Act 102, 2018 (H. 616), which created new authority to use TEPF funds for district heat conversion

(<https://legislature.vermont.gov/Documents/2018/Docs/ACTS/ACT102/ACT102%20As%20Enacted.pdf>)

and Act 31, 2019 (H. 133), which added permissibility for use of TEPF funds for the engineering, design, and construction of facilities for the conversion of thermal energy customers using fossil fuels to district heat

(<https://legislature.vermont.gov/Documents/2020/Docs/ACTS/ACT031/ACT031%20As%20Enacted.pdf>)



Net Revenue Projection from BED's participation in FCM & RGGI				
		2018	2019	2020
Net RGGI Revenue	\$	99,534	\$ 99,534	\$ 99,534
Net FCM Revenue	\$	581,456	\$ 580,239	\$ 418,406
Total Net Revenues	\$	680,990	\$ 679,774	\$ 517,941
<i>Cumulative Net Revenues</i>				\$ 1,878,704
TEPF Spending (Proposed)				
TEPF - Traditional programs	\$	113,655	\$ 115,928	\$ 118,247
VERMOD	\$	92,000	\$ 92,000	\$ 92,000
DES Support	\$	475,335	\$ 471,846	\$ 307,694
Total Spending	\$	680,990	\$ 679,774	\$ 517,941
Cumulative Spending - Traditional programs				\$ 347,830
Cumulative Spending - VERMOD				\$ 276,000
Cumulative Spending/reserve - DES				\$ 1,254,875
Cumulative Spending - Total TEPF				\$ 1,878,704

After accounting for spending in the 2018–2020 performance period, BED carried forward into the 2021–2023 DRP performance period a TEPF budget balance of \$1.526 million. As shown in the table below, \$1.152 million of the funds carried forward were reserved for DES support.

	2018-2020 DRP	Traditional	DES	Total Approved Budget
Budget	\$ 623,830	\$ 1,254,875	\$ 1,878,705	
FA reported Spending	\$ (249,050)	\$ (103,200)	\$ (352,251)	
Balance	\$ 374,780	\$ 1,151,675	\$ 1,526,454	

In Case 19-3272,⁴ the Commission approved a TEPF budget of \$1.034 million for the 2021–2023 EEU performance period. As shown in the table below, the approved 2021–2023 budget includes authorization for \$413,714 for DES support. This budget was based on *then-current* forecasts of Regional Greenhouse Gas Initiative (“RGGI”) and Forward Capacity Market (“FCM”) revenues expected to be received during the 2021- 2023 period, and thus represents *new* money flowing into the TEPF program budget to support *new and additional* TEPF activities, including new DES activities.

⁴ See: Case No. 19-3272, Order of 8/26/2021.



Net Revenue Projections from BED's Participation in FCM & RGGI					3 yr Cum. Total
	2021	2022	2023		
Total Net Revenues	\$ 385,287	\$ 383,997	\$ 265,430	\$	1,034,714
TEPF (proposed)					
TEPF - Traditional Program	\$ 106,350	\$ 107,100	\$ 108,100	\$	321,550
Development & Support Services	\$ 7,650	\$ 7,900	\$ 7,900	\$	23,450
VERMOD	\$ 92,000	\$ 92,000	\$ 92,000	\$	276,000
DES Support	\$ 179,287	\$ 176,997	\$ 57,430	\$	413,714
Total TEPF Budget	\$ 385,287	\$ 383,997	\$ 265,430	\$	1,034,714

The DES project is very near completion: Act 250 permitting documents have been filed for the first-time in the long history of the project, and BED is working with key stakeholders on the final terms and conditions of thermal services to be provided by McNeil to DES and for the DES to provide thermal energy to potential customers. Burlington Mayor Miro Weinberger noted in his 2023 State of the City address that he expects BED and the City to bring DES feasibility work to conclusion by the end of 2023. A recent development, however, is that additional design and engineering work is needed prior to finalizing the design and routing of the project near UVM Medical Center campus. The connection point for the DES is now going to be in a different location than originally planned because an infrastructure tunnel connection point initially envisioned is not optimal for DES to connect to. This conclusion was reached recently through extensive work with the hospital's facilities team. This will result in changes to the design and engineering of the project, and expected updates to Act 250 documents. As a result, BED anticipates that DES engineering and design work will continue through approximately August 2023 prior to a final go/no-go decision.

As shown in the table below, after accounting for funds carried forward from the 2018-2020 performance period, DES-related reimbursements from key stakeholders, and DES-related expenses through April 30, 2023, the remaining TEPF budget balance is \$638,162 and the DES budget is overspent by \$20,014.⁵

⁵ As referenced in pre-filed testimony submitted June 2, 2023 in Case No. 23A-0553, due to errors in BED's accounting for reimbursements from DES partners in 2021, DES spending in 2021 was overstated by \$95,000. BED will be filing with the Commission by June 6, 2023 revised fiscal agent reports to correct these errors. The table above reflects corrected totals and therefore may not match fund balances as shown on fiscal agent reports filed by BED to-date.



2021 - 2023 DRP	Traditional	DES	Total Approved Budget
Carried forward budget balances	\$ 374,780	\$ 1,151,675	\$ 1,526,454
Budget	\$ 621,000	\$ 413,714	\$ 1,034,714
FA Reported Spending as of 4/30/23	\$ (307,603)	\$ (1,680,403)	\$ (1,988,006)
Correction for Reimbursements	\$ (30,000)	\$ 95,000	\$ 65,000
Balance as of 4/30/2023	\$ 658,177	\$ (20,014)	\$ 638,162

BED understands that it lacks authorization to spend TEPF funds on DES support beyond the amount of \$1,668,589 that the Commission has previously authorized. Therefore, BED is filing this request to transfer an additional \$500,000 from traditional TEPF programs to DES support, in the anticipation that additional funds will be needed for final engineering and design work necessary over the summer of 2023. BED has placed a hold on any further TEPF DES spending until the Commission acts on this transfer request.

Relative to Section III, 3 (E) of BED’s Order of Appointment, any proposal to transfer funds must also address the following:

- i. *Identification of the DSS budget categories being adjusted*

Response: Approved DSS budget categories will be unaffected by the proposed transfer of funds.

- ii. *Identification of the Resource Acquisition (RA) major market budgets being adjusted*

Response: BED is seeking approval to transfer \$500,000 from the approved traditional TEPF budget to the DES budget to complete design and engineering work necessary to accommodate the infrastructure requirements of an important DES customer and authorization to expend those additional funds on DES, bringing the total amount of Commission-authorized DES spending to \$2,168,589.

- iii. *The amount of the transfers and the percent of the performance period budget by DSS and RA budget category, DSS initiative, and in total*

Response: Total DSS budgets and activities are unaffected by the proposed transfer. As the table below shows, the proposed transfer amount of \$500,000 is 17 percent of the total 6-year approved budget.



2018 - 2020 Total Approved TEPF Budget	\$ 1,878,704
2021 - 2023 Total Approved TEPF Budget	\$ 1,034,717
6-year Approved TEPF Budget	\$ 2,913,421
Proposed Transfer Amount	\$ 500,000
% of total approved TEPF Budget	17%

iv. *A description of the underlying events contributing to the need for the transfer*

Response: Unanticipated DES design modifications are necessary, requiring additional design and engineering expenditures to complete the DES project.

v. *An estimate of the impacts associated with reducing the RA and DSS budget categories.*

Response: Potential impacts on traditional TEPF programs are anticipated to be minimal. BED expects it will have sufficient TEPF funds reserved for traditional TEPF programs after the proposed transfer to pay for the relatively few remaining traditional projects currently scheduled or anticipated to be closed out in calendar year 2023. The traditional weatherization program remains below budget for 2023 and is projected to remain modest for the remainder of 2023. The Zero Energy Modular (ZEM, f/k/a Vermod) program also remains below budget and no projects are scheduled to be completed in 2023. DSS budget categories will be unaffected. On the other hand, if the Commission approves BED's transfer request, BED and the other key DES stakeholders would be in a much better position to address the modified infrastructure requirements of an anchor DES customer.

BED appreciates the opportunity to submit this intra-program transfer request. Should you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

Thomas Lyle
Program and Policy Analyst