

VERMONT PUBLIC POWER SUPPLY AUTHORITY

PO Box 126 5195 Waterbury-Stowe Road • Waterbury Ctr., VT 05677
(802) 244-7678 Fax (802) 244-6889 www.vppsa.com

BY ELECTRONIC MAIL

December 7, 2016

Judith Whitney, Clerk
Vermont Public Service Board
112 State Street, 4th floor
Montpelier, VT 05620-2701

RE: Conservation Law Foundation Motion in EEU-2016-3

Dear Ms. Whitney:

Vermont Public Power Supply Authority (“VPPSA”) offers the following comments in response to the Conservation Law Foundation’s (“CLF”) Motion to Alter and Motion from Relief from Order dated November 8, 2016. In its Motion, CLF asks the Public Service Board (“Board”) to remove from its October 27th Order the language stating that “the use of EEC funds for investments in such end uses [electrification of and transportation and thermal loads] is subject to statutory restrictions...” VPPSA appreciates the opportunity to provide comments on CLF’s Motion. Customers of VPPSA’s 12 municipal utility members pay the Energy Efficiency Charge (“EEC”) and will be impacted directly by the outcome of this proceeding.

It is VPPSA’s view that the authority or obligation to provide energy efficiency services for the thermal and transportation sectors using electric ratepayer funds directly from the EEC is a policy question that has been determined by the Legislature. Several provisions in 30 V.S.A. § 209 indicate that the legislative intent was for EEC funds to be used for providing electric efficiency services to the State’s ratepayers.

Since their inception, the state’s Energy Efficiency Utilities (“EEUs”) have operated under the premise that funds collected from electric ratepayers through the EEC could only be used to fund *electric* efficiency programs. Under 30 V.S.A. § 209(d)(3) the Board is authorized to establish a volumetric charge to be collected from ratepayers. EEC funds are to be deposited into the “Electric Efficiency

Fund,” implying that those funds were to be used to deliver electric efficiency services. Electric ratepayers are then eligible to receive electric efficiency services from the EEU’s, thus ensuring that those who pay also receive benefits.

Funding for thermal energy and process fuel (TEPF) efficiency is addressed in 30 V.S.A. § 209(e), a portion of the statute that is distinct from the section authorizing energy efficiency utilities and the use of the EEC. 30 V.S.A. § 209(e)(1) earmarks revenue from the EEU’s participation in the Forward Capacity Market (FCM) for thermal energy and process fuel energy efficiency services and § 209(e)(2) establishes that revenue from the sale of carbon credits under the Regional Greenhouse Gas Initiative (RGGI) will be used for the same purpose. Other funds may be deposited into the Electric Efficiency Fund for the purpose of delivering thermal energy and process fuel energy efficiency services, but these funds are distinct from those collected through the EEC. Taken in its entirety, 30 V.S.A. § 209 contemplates different funding streams for electric efficiency services and thermal and transportation efficiency services. The statutory distinction between funding streams must be maintained, with FCM and RGGI funds being targeted for thermal programs and EEC funds targeted for electric efficiency measures.

Pursuant to 30 V.S.A. § 209(d)(3)(C) funds raised through the EEC *could* be used “to reduce the use of fossil fuels for space heating by supporting electric technologies that may increase electric consumption, such as air source or geothermal heat pumps...” *if* specific statutory criteria were met. The implication is that use of EEC funds for strategic electrification would not otherwise be a permissible use of EEC funds. The Board undertook consideration of 30 V.S.A. § 209(d)(3)(C) (i)-(viii) in Docket 8311 which was stayed in 2015 due to the consideration and eventual passage of the Renewable Energy Standard (“RES”). The potential for EEC funds to be used for electrification of the heating sector should be considered not through the DRP proceeding, but in a separate proceeding; in addition, this potential only exists currently for home heating, not transportation measures.

Through Act 56, the Legislature specifically tasked the State’s distribution utilities (“DUs”) with reducing fossil fuel consumption by delivering Energy Transformation Projects under the RES. If the EEU’s were already authorized to offer such programs utilizing electric ratepayer funds, Tier 3 of the RES would have been duplicative. Thus, the Legislature clearly did not intend EEC funds to be used for space heating and transportation. Authorizing the EEU’s to deliver thermal and transportation services using EEC funds will put the distribution utilities in direct competition with the EEU’s for energy savings; having both EEU’s and DUs deliver thermal and transportation programs undercuts the effectiveness of each set of utilities and is not in the best interest of ratepayers. In addition, under the RES alternative compliance payment, Vermont DUs (and not EEU’s) will face significant financial penalties should they fail to meet their required savings obligations. This has the potential to further increase the financial burden on ratepayers.

The CLF Motion highlights two policy questions that warrant consideration: 1) who should deliver the different types of efficiency services in Vermont, and 2) how services should be funded. In VPPSA’s view, the State and its ratepayers would be best served by assigning the responsibility to deliver thermal

and transportation efficiency programs to *either* the EEs or the distribution utilities, but not to both. VPPSA is concerned that having electric ratepayers pay for fossil fuel reductions through *both* the EEC and electric rates (via RES compliance costs) will likely be costly and inefficient. Rather than allowing EEC funds to be used for transportation and thermal programs, there may be a rationale for directing the TEPF funds created as a result of charges to ratepayers back to utilities to implement these programs.

Thank you for this opportunity to comment.

Sincerely,

A handwritten signature in cursive script that reads "Melissa Bailey".

Melissa Bailey
Legislative and Regulatory Affairs Representative
Vermont Public Power Supply Authority