



August 11, 2023

Ms. Holly Anderson, Clerk
Vermont Public Utility Commission
112 State Street, Drawer 20
Montpelier, VT 05620

Re: Case 23-1870
Petition to Transfer Thermal Energy & Process Fuel ("TEPF") funds

Dear Ms. Anderson,

In response to the Public Utility Commission's ("Commission") Order of August 1, 2023 in the above-referenced proceeding, the City of Burlington Electric Department ("BED") submits the following responses to the Public Service Department's ("Department") letter of July 3, 2023.

Question #1: [The Department requests] that BED confirm its progress towards satisfying TEPF MPR #3 is 15% of the minimum requirement for the performance period as of the end of the first quarter of 2023 and explain how BED may (or may not) meet TEPF MPR #3 by the end of the 2021-2023 performance period.

Response: BED confirms that spending, as of March 31, 2023, towards satisfying TEPF MPR #3 amounted to \$45,750 which is 15% of the \$305,000 minimum requirement for the current performance period. BED is not optimistic that it will be able to meet the spending amount of TEPF MPR #3 by the end of the 2021-2023 performance period. Reasons for not attaining this MPR include, but are not limited to the following: (a) lack of pipeline projects due to BED's very small TEPF market (over 95% of BED's residential and commercial customers are served by VGS); (b) lingering COVID impacts; (c) higher mortgage interest rates than in the recent past, which has dampened real estate activity and construction; and (d) many customers proceeding cautiously due to the generally poor economic conditions.

The traditional weatherization project pipeline remains very sluggish. Moreover, if there are any new projects enrolled in the coming weeks and months, it is highly likely that they will not be completed until 2024 due to a significant weatherization contractor backlog. The Zero Energy Modular ("ZEM," formerly known as Vermod) program also remains below budget. Although three ZEM projects were completed during the 2018-2020 performance period, we do not expect any new ZEM projects to be completed before December 31, 2023. Any new ZEM project enrollments will first



require mortgage approval from the Champlain Housing Trust’s Homeownership Program before a ZEM home begins construction at the Vermod factory. Any new home orders would not be completed until at least 2024.

BED’s ability to achieve the TEPF MPR#3 goal should not be affected by the requested budget transfer as the issues described above are not a result of budgetary constraints.

Question #2: The Department requests additional information on the proposed amounts to be transferred to DES, from which category (e.g., traditional weatherization and VERMOD programs), and the vintage of the funds. The Department also requests an accounting of how BED has covered the cost overrun.

Response: Upon PUC approval of the TEPF programs and budgets, BED established accounting codes for each program for expense tracking purposes. Expenditures are recorded to a specific account code depending on the nature of the expense. Traditional weatherization incentives are recorded to account codes starting with U9001 (commercial) or U9101 (residential). VERMOD expenses, if any, are recorded to U92012. And DES support expenses are recorded to codes starting with U81. TEPF expenses, including DES support expenses, are paid within 15–30 days *out of operating (non-EEU) funds*. Operating funds are then reimbursed monthly from BED’s TEPF funds based on expenditures in each category. TEPF budgets are not transferred between programs in BED’s accounting system (e.g., from traditional weatherization to DES support), but are paid out of pooled funds.

As for the “vintage” of funds, BED has paid most of its DES support invoices from funds that have been carried over from previous years. As noted in previous filings, the total approved DES budget through CYE 2023 is \$1,668,589. Total DES program support spending through April 30, 2023 has amounted to \$1,688,603, leaving a program budget deficit of \$20,014 as previously reported.

Approved DES Carryover (Case 17-4927)	\$ 1,254,875
Approved DES Budget (Case 19-3272)	\$ 413,714
Total DES Budget	\$ 1,668,589
Total DES Spending (through April 2023)	\$ 1,688,603
TEPF Deficit	\$ (20,014)

The \$500,000 transfer request, if approved, will be sourced from BED’s approved TEPF budgets in the following manner:



Transfer Request	\$ 500,000
<i>To be funded from following approved budget sources</i>	
VERMOD	\$ (276,000)
Remaining Unspent Traditional TEPF Budget	\$ (224,000)
Total Budget Transfer	\$ (500,000)

At this time, BED anticipates that the transferred funds will be used for the following DES purposes:

<i>Use of Transferred Funds for DES support</i>	
Reimburse deficit spend as of April 30, 2023	\$ (20,014)
DES invoices received but not yet paid to date	\$ (275,128)
Estimate of remaining DES costs (design, engineering) from TEPF funds	\$ (204,858)
<i>Total Estimated Spending from Transferred Funds in CY 2023</i>	\$ (500,000)

With respect to “how BED has covered the cost overrun” BED has used non-EEU operating funds to pay for the \$20,014 overrun and seeks approval to recover such operating funds by re-allocating 100% of the pre-approved VERMOD budget and 70% of the pre-approved traditional weatherization budget to the DES support program budget.

It is important to note that after the proposed \$224,000 transfer from the traditional weatherization TEPF budget to the DES support program, the remaining traditional weatherization budget will amount to \$51,800 (after accounting for the aforementioned \$45,750 in weatherization expenses incurred through March 30, 2023). This remaining budget amount is expected to be sufficient to pay for all anticipated traditional weatherization program expenses through CYE 2023. Additionally, the approved TEPF DSS budget of \$23,450 will remain in place to pay for associated administrative and other DSS costs.

Question #3: The Department requests BED to provide an accounting of contributions from other DES project partners received to-date and a projection of where additional funding for any additional engineering/design costs needed to bring feasibility to completion will be sourced.

Response: As of August 1, 2023, BED has recorded a total of \$215,000 in DES-related contributions from key stakeholders. Of these contributions, \$120,000 was recorded in CY 2019 and \$95,000 in CY 2021.



BED expects to complete DES engineering and design-related work by December 31, 2023. Therefore, additional funding for engineering/design work beyond the \$500,000 transfer request is not expected to be necessary.

Question # 4: Department requests that BED identify the amount due from DES invoices received to date, but not paid.

Response: DES invoices received but not paid as of the date of this filing amount to \$275,128. BED has asked its contractors to limit DES expenditures to the minimum required to not imperil the ultimate success of the project.

Question #5: The Department requests BED to confirm it does not anticipate using TEPF funding to support the DES project beyond 2023, and if not confirmed provide additional information explaining why it must.

Response: BED confirms that TEPF funds will not be used to support the DES program beyond December 31, 2023, nor do we anticipate incurring any additional costs for DES engineering and design after that date. BED is not requesting TEPF funds to support DES construction costs (for which TEPF fund use is also permitted).

Should you have any additional questions or concerns, please do not hesitate to contact me.

Sincerely,

Thomas Lyle
Program & Policy Analyst