STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 22-2954-PET

Petition of Vermont Department of Public Service to initiate an EEU Demand Resources Plan proceeding for the 2024-2026 performance period	

Order entered: 01/10/2024

ORDER APPROVING EFFICIENCY VERMONT'S AMENDED DEMAND RESOURCES PLAN FOR 2024 AND REQUIRING FURTHER PROCESS FOR 2025 AND 2026

In this Order, the Vermont Public Utility Commission ("Commission") adopts the findings, conclusions, and recommendations made in the Hearing Officer's proposal for decision.

PROPOSAL FOR DECISION

I. INTRODUCTION

In this proposal for decision, I recommend that the Commission approve proposed amendments to Efficiency Vermont's Demand Resources Plan ("DRP") for the 2024-2026 performance period to allow for the implementation of greenhouse gas emission reduction programs as authorized by Public Act No. 44.[1] Act 44 provides for an additional three years, 2024-2026, of the pilot program established in Public Act No. 151[2] that allows the use of electric energy efficiency charge funds for greenhouse gas emission reduction programs.

The proposed DRP amendments include an approximately $6.0 million reallocation of spending in the previously approved resource-acquisition budgets to implement Act 44 transportation and heating sector programs and include adjustments to the performance goals for the 2024-2026 performance period to reflect the reallocation of spending.

I recommend that the Commission approve Efficiency Vermont's proposed DRP amendments for the first year of the 2024-2026 performance period. For the second and third year of the performance period, I recommend the Commission allow for further process to examine whether the proposed programs and budget levels for 2025 and 2026 result in the largest possible greenhouse gas emission reductions in a cost-effective manner.

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[1] Vermont Public Act No. 44 (2023 Vt. Bien. Sess.).
[2] Vermont Public Act No. 151 (2020 Vt., Adj. Sess.).

II. Procedural History

In a September 26, 2023, Order, the Commission approved Efficiency Vermont's DRP for the 2024-2026 performance period.[3]

In a November 13, 2023, Order, the Commission made clarifications and revisions to Efficiency Vermont's DRP for the 2024-2026 performance period.[4]

On November 17, 2023, Efficiency Vermont filed a motion supported by affidavits and exhibits to amend its 2024-2026 DRP to allow Efficiency Vermont to implement greenhouse gas emission reduction programs as authorized by Act 44.

On November 30, 2023, Efficiency Vermont made compliance filings for its approved DRP that included performance compensation tables and resource-acquisition modeling.

On December 8, 2023, Efficiency Vermont filed revised affidavits and exhibits.

On December 15, 2023, the Vermont Department of Public Service ("Department") filed comments recommending a reduction to Efficiency Vermont's proposed budgets of 25% per year over three years.

On December 15, 2023, the Vermont Public Power Supply Authority ("VPPSA") filed comments on Efficiency Vermont's proposal.

On December 22, 2023, Efficiency Vermont filed responses to the Department's recommendations and VPPSA's comments.[5]

No party has requested an evidentiary hearing or objected to the prefiled testimony and exhibits. Accordingly, the following prefiled testimony, exhibits, and comments are admitted as if presented at a hearing: prefiled affidavit (11/17/23) of Jay Pilliod and exhibits EVT-JP-2 (revised 11/17/23), EVT-JP-2 (revised 12/8/23); prefiled affidavit (11/17/23) of Kelly Lucci and exhibits EVT-KL-7 (11/17/23) and EVT-KL-7 (revised 12/8/23); exhibits Attachment 2 (11/17/23), Attachment 2 (revised 11/30/23), Attachment 2 (revised 12/8/23), Attachment 3 (11/30/23); Department December 15 Comments; VPPSA December 15 Comments; and Efficiency Vermont December 22 Response.

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[3] *Order Approving Efficiency Vermont's 2024-2026 Demand Resources Plan*, Case No. 22-2954-PET, Order of 9/26/23 ("September 26 Order").

[4] *Order Addressing Clarifications and Revisions to Efficiency Vermont's Demand Resources Plan*, Case No. 22-2954-PET, Order of 11/13/23 ("November 13 Order").

[5] VPPSA's concerns remain outside the scope of considerations of Act 44 activities. Efficiency Vermont responded to VPPSA's concerns and the Commission will address these concerns in a separate order.

III. LEGAL STANDARD

Section 1(a) of Act 44 requires that the electric resource-acquisition budgets for an entity appointed to provide electric energy efficiency and conservation programs and measures pursuant to 30 V.S.A. § 209(d)(2)(A) for the calendar years 2021-2026 must be determined pursuant to 30 V.S.A. § 209(d)(3)(B). In addition, Section 1(a) applies only if an Energy Efficiency Utility's ("EEU's") approved electric resource-acquisition budgets for 2024-2026 do not exceed the EEU's approved electric resource-acquisition budgets for 2021-2023, adjusted for cumulative inflation between January 1, 2021, and July 1, 2023, using the national consumer price index.

Section 1(b) of Act 44 requires the Commission to authorize a qualifying EEU to spend its electric resource-acquisition budgets, in an amount to be determined by the Commission but not to exceed $2,000,000 per year, on programs, measures, and services that reduce greenhouse gas emissions in the thermal energy or transportation sectors.

On November 28, 2012, in Case No. NM-2408, a CPG was granted for a 17.4 kW solar net-metering system at 331 Carpenter Hill Road in Georgia, Vermont ("2012 Existing Facility").

On December 9, 2015, in Case No. NM-6566, the Applicants were granted a CPG for a 147 kW solar net-metering system ("2015 Existing Facility").

On March 4, 2022, the Applicants filed an application for the Proposed Facility at the same address.

Section 1(c) of Act 44 requires that an EEU approved to provide a program, measure, or service pursuant to the Act do so in cooperation with a retail electricity provider. Section 1(c)(1) provides that the EEU shall not claim any savings and reductions in fossil-fuel consumption and in greenhouse gas emissions by the customers of the retail electricity provider resulting from the program, measure, or service if the provider elects to offer the program, measure, or service pursuant to 30 V.S.A. § 8005(a)(3), unless the EEU and provider agree upon how savings and reductions should be accounted for, apportioned, and claimed. Further, Section 1(c)(2) requires that the Commission develop standards and methods to appropriately measure the effectiveness of the programs, measures, and services in relation to the EEU's DRP proceeding.

Section 1(d) of Act 44 requires that any funds spent on programs, measures, and services pursuant to the Act not be counted towards the calculation of funds used by a retail electricity provider for energy transformation projects pursuant to 30 V.S.A. § 8005(a)(3) and the calculation of project costs pursuant to 30 V.S.A. § 8005(a)(3)(C)(iv).

IV. Efficiency Vermont's Amended Demand Resource Plan

In the following findings and discussion, I address whether the proposed amendments to Efficiency Vermont's DRP meet the requirements of Act 44 and make my recommendations for Commission approval.

Act 44 Section 1(a) - Eligibility

1. Pursuant to 30 V.S.A. § 209(d)(2), Vermont Energy Investment Corporation ("VEIC") has been appointed by the Commission to provide EEU services as Efficiency Vermont throughout the state, except in the service territory of the City of Burlington Electric Department ("BED"). Efficiency Vermont Motion (11/17/23) at 1, *see* Case No. 22-1647-PET, VEIC Order of Appointment, dated January 27, 2023.

2. For the 2024-2026 performance period, pursuant to 30 V.S.A. § 209(d)(3)(B), the Commission approved the following resource-acquisition budgets funded by the electric energy efficiency charge for Efficiency Vermont:

2024	2025	2026	Total
$41,311,162	$42,137,385	$42,980,133	$126,428,680

Exh. EVT-KL-7 (revised 12/8/23) at 13; *see* September 26 Order and November 13 Order.

3. For the 2021-2023 performance period for Efficiency Vermont, the Commission approved a total electric resource-acquisition budget of $121,585,770. Efficiency Vermont's approved electric resource-acquisition budgets for the 2024-2026 performance period do not exceed its approved electric resource-acquisition budgets for the 2021-2023 performance period, adjusted for cumulative inflation between January 1, 2021, and July 1, 2023, using the national consumer price index. Exh. EVT-KL-7 (revised 12/8/23) at 13; *see* September 26 Order and November 13 Order.

Act 44 Section 1(b) - Budgets and Programs

4. Efficiency Vermont proposes to spend approximately $6,000,000 of its approved electric resource-acquisition budgets for the 2024-2026 performance period on the delivery of programs, services, and measures that reduce greenhouse gas emissions in the thermal and transportation sectors. Exh. EVT-KL-7 (revised 12/8/23) at 13.

5. Efficiency Vermont's Act 44 proposal will not exceed the spending limit of $2 million per year for the course of the 2024-2026 performance period. Exh. EVT-KL-7 (revised 12/8/23) at 13.

6. Efficiency Vermont's Act 44 programs will continue and build on the thermal and transportation sector programs implemented under Act 151 during the 2021-2023 performance period. The transportation programs will focus on electric vehicle market development and transformation: (1) electric vehicle supply-chain dealership support, and (2) electric vehicle customer outreach and education. The thermal programs will focus on low-income customers to enable fuel switching to heat pump technology. Exh. EVT-KL-7 (revised 12/8/23) at 3-4.

7. The transportation programs will leverage the existing network of electric vehicle dealers and the educational resources available through Drive Electric Vermont. The programs will emphasize equity and access by placing a strong focus on understanding and influencing the market for used electric vehicles. Exh. EVT-KL-7 (revised 12/8/23) at 4-7.

8. The low-income fuel-switch program provides low-income customers with access to no-cost home heating electrification, and thereby reduces greenhouse gas emissions in the thermal energy sector. The low-income fuel-switch program enables the installation of heat pumps in weatherized low-income households that would likely not otherwise be financially achievable for low-income customers through baseline Renewable Energy Standard ("RES") Tier 3 programs and other EEU programs. Exh. EVT-KL-7 (revised 12/8/23) at 7-11.

9. Efficiency Vermont proposes to alter planned spending on programs and services in its approved 2024-2026 DRP to accommodate its proposed Act 44 programs. Efficiency Vermont proposes the following annual shifts in resource-acquisition programs and budgets:

Budget shifted from these programs to Act 44 programs	**Budgets**		**Budget shifted to these Act 44 programs**	**Budgets**
Existing Homes: non-incentives	($200,000)		Electric vehicle program non-incentives	$520,000
Existing Homes: incentives	($400,000)		Electric vehicle program: incentives	$510,000
Business existing facilities: non-incentives	($450,000)		Low-income fuel switch program: non-incentives	$130,000
Business existing facilities: incentives	($950,000)		Low-income fuel switch program: incentives	$840,000
Total	($2,000,000)		**Total**	$2,000,000

Exh. EVT-KL-7 (revised 12/8/23) at 24.

10. Efficiency Vermont's Act 44 proposal does not result in the termination of any approved DRP programs. The existing homes and business existing facilities programs will be operated at reduced budgets and lower rates of acquisition without sacrificing the integrity or sustainability of the existing programs. Exh. EVT-KL-7 (revised 12/8/23) at 24.

11. Efficiency Vermont's amended DRP proposal includes an approximately $1.4 million resource-acquisition spending shift from the business to residential sector. The proposed spending modifies the ratio of spending between the business and residential sectors across the performance period:

Approved DRP Spending	**2024**	**2025**	**2026**
Business	57%	57%	57%
Residential	43%	43%	43%
Proposed Act 44 Spending	**2024**	**2025**	**2026**
Business	53%	53%	53%
Residential	47%	47%	47%

Pilliod Affidavit (12/8/23) at 10; exh. EVT-JP-2 (revised 12/8/23).

Act 44 Section 1(b)(1) - Reductions in Greenhouse Gas Emissions

12. Efficiency Vermont's proposed Act 44 program activities will reduce greenhouse gas emissions in the thermal energy and transportation sectors. Exh. EVT-KL-7 (revised 12/8/23) at 14-15.

13. Efficiency Vermont's transportation programs will reduce greenhouse gas emissions by increasing the adoption of electric vehicles in Vermont. This is accomplished by addressing market barriers and gaps to accelerate Vermont's shift to electric-based transportation from fossil fuel-based transportation. Exh. EVT-KL-7 (revised 12/8/23) at 14.

14. Efficiency Vermont conducted an analysis of its transportation program's performance during the 2021-2023 period to better understand the market transformation impacts. Dealerships participating in the Efficiency Excellence Network saw a 14% increase in electric vehicle sales between 2021 and 2022, while non-participating dealerships saw a 26% decrease in electric vehicle sales between 2021 and 2022. During this 2021-2022 period, new retail light vehicle registrations (both internal combustion engines and electric vehicles) in Vermont were 15% lower and electric vehicle sales remained steady. This analysis suggests that Efficiency Vermont's transportation programs are having a positive impact on electric vehicle adoption and reducing greenhouse gas emissions. Exh. EVT-KL-7 (revised 12/8/23) at 14-15.

15. Efficiency Vermont's Act 44 proposal will affect the greenhouse gas emission reductions expected under the approved DRP. The expected lifetime greenhouse gas savings of the electric efficiency DRP programs approved for the 2024-2026 performance period will be reduced by approximately 4,288 metric tons of CO_2e (98,079 metric tons to 93,791 metric tons), which is a 4.4% decrease. Efficiency Vermont's Act 44 transportation and heating programs are expected to result in greenhouse gas reductions to offset these reductions. Pilliod Affidavit (12/8/23) at 11-12; exh. EVT-KL-7 (revised 12/8/23) at 24-25.

16. Because the electric greenhouse gas reduction quantifiable performance indicator ("QPI") is based on expected savings, Efficiency Vermont proposes to reduce the greenhouse gas reduction QPI target by 4,500 metric tons – the equivalent to saying electric generators will emit 4,500 additional tons of greenhouse gases. Pilliod Affidavit (12/8/23) at 13-14; exh. EVT-KL-7 (revised 12/8/23) at 25-26.

17. The Environmental Protection Agency estimates that the typical internal combustion passenger vehicle emits 4.6 metric tons of greenhouse gas emissions per year. Efficiency Vermont's dealer network supported the sale of more than 1,000 plug-in electric vehicles in 2022. Recognizing that the emissions from electric generators powering those electric vehicles cannot be discounted, supporting 1,000 electric vehicles on the road is the equivalent to avoiding 4,600 metric tons of greenhouse gas emissions from fossil fuel-fired cars for every year these electric vehicles are on the road. While Efficiency Vermont claims no direct "credit" for vehicles sold, the Act 44 programs will move the market towards more robust sales and a transformed market that is sustainable over the long term. The simple number of vehicles sold through the network will have a net-benefit of reduced greenhouse gas emissions in the state. Exh. EVT-KL-7 (revised 12/8/23) at 25-26.

18. Efficiency Vermont estimates the low-income fuel-switch program will support the installation of approximately 600 heat pumps in weatherized low-income households during the 2024-2026 performance period. These installations are estimated to result in approximately 8,430 $MTCO_2e$ of reduced greenhouse gases in Vermont's thermal energy sector. Exh. EVT-KL-7 (revised 12/8/23) at 14.

Act 44 Section 1(b)(2) - Nexus with Electricity Usage

19. Efficiency Vermont's proposed Act 151 programs will have a nexus with electricity usage. Lucci Affidavit (11/17/23) at 8; exh. EVT-KL-7 (revised 12/8/23) at 15-16.

20. Efficiency Vermont's proposed Act 44 transportation sector programs have a nexus with electricity usage because they support the growth of the marketplace for electric vehicles and encourage more Vermonters to switch from internal fossil fuel-combustion vehicles to electric-powered vehicles. The programs reduce total fuel consumption and energy costs for consumers by switching their fuel source for transportation. Lucci Affidavit (11/17/23) at 8; exh. EVT-KL-7 (revised 12/8/23) at 15-16.

21. Efficiency Vermont's proposed Act 44 heating sector programs have a nexus with electricity usage because they support electrification of home heating in weatherized low-income households across the state with the installation of heat pumps, which are an electric-based heating and cooling system. Lucci Affidavit (11/17/23) at 8; exh. EVT-KL-7 (revised 12/8/23) at 15-16.

Act 44 Section 1(b)(3) - Relationship with Energy Transformation Projects

22. Efficiency Vermont's proposed Act 44 programs, measures, and services are additive and complementary to and do not replace and are not in competition with the Tier 3 energy transformation projects being implemented by the distribution utilities within the statewide EEU service area and existing thermal efficiency programs operated by Efficiency Vermont. Lucci Affidavit (11/17/23) at 8-9; exh. EVT-KL-7 (revised 12/8/23) at 16-18.

23. The distribution utilities focus their Tier 3 support for electric vehicles at the consumer level, aiming to encourage the purchase of electric vehicles. Efficiency Vermont's electric vehicle midstream program complements this by training and working with dealerships to ensure that vehicle stocks are available, and that the sales force is trained on the issues important to consumers. Efficiency Vermont's program efforts will be coordinated with BED's programs. Lucci Affidavit (11/17/23) at 8-9; exh. EVT-KL-7 (revised 12/8/23) at 16-18.

24. For customers participating in the low-income fuel-switch program, Efficiency Vermont and distribution utilities will jointly cover the full cost and associated installation costs (including electrical panel work) of a new heat pump. Distribution utilities contribute funds to cover invoiced costs up to their established Tier 3 cost cap while Efficiency Vermont's program

funds cover the remaining balance. Lucci Affidavit (11/17/23) at 8-9; exh. EVT-KL-7 (revised 12/8/23) at 16-18.

25. The low-income fuel-switch program is additive and complementary to Efficiency Vermont's existing electric and thermal efficiency programs. The program expands existing programs to enable fuel switching from fossil fuels to efficient electric heating at little to no-cost for low-income customers. Lucci Affidavit (11/17/23) at 8-9; exh. EVT-KL-7 (revised 12/8/23) at 16-18.

26. Efficiency Vermont's low-income fuel-switch program is additive and complementary to the work of Vermont's Weatherization Assistance Programs ("WAPs"). Vermont's WAPs are currently leveraging federal funding to install cold-climate heat pumps in homes they serve. Efficiency Vermont works with the WAPs to "look back" at customers they have served in the past, prior to these federal funds being made available, to ensure that resources are maximized and that more customers can be reached. Lucci Affidavit (11/17/23) at 8-9; exh. EVT-KL-7 (revised 12/8/23) at 16-18.

<u>Act 44 Section 1(b)(4) - Consultation with Relevant State Agencies</u>

27. Efficiency Vermont consulted with relevant State agencies and departments to ensure that its proposed Act 44 activities will not be duplicative or in competition with programs delivered by such agencies or departments. Lucci Affidavit (11/17/23) at 8-9; exh. EVT-KL-7 (revised 12/8/23) at 19-21.

28. For its transportation programs, Efficiency Vermont engaged with State agencies, distribution utilities, electric vehicle dealerships, and other organizations, including the Department, the Vermont Agency of Natural Resources ("ANR"), the Vermont Agency of Transportation ("VTrans"), Green Mountain Power Corporation ("GMP"), the Town of Stowe Electric Department ("Stowe Electric"), Vermont Electric Cooperative, Inc. ("VEC"), Washington Electric Cooperative, Inc. ("WEC"), VPPSA, the Vermont Vehicle and Automotive Distributors Association ("VADA"), Drive Electric Vermont, and the Vermont Clean Cities Coalition. Lucci Affidavit (11/17/23) at 8-9; exh. EVT-KL-7 (revised 12/8/23) at 19-21.

29. For its heating sector programs, Efficiency Vermont engaged with State agencies, distribution utilities, heating, ventilation, and air conditioning contractors, and other organizations, including the Department, ANR, the Vermont Office of Economic Opportunity

("OEO"), GMP, Stowe Electric, VEC, WEC, VPPSA, and WAPs. Lucci Affidavit (11/17/23) at 8-9; exh. EVT-KL-7 (revised 12/8/23) at 19-21.

30. During the 2024-2026 performance period, Efficiency Vermont intends to provide regular updates to affected State agencies, and other stakeholders through existing forums, including the monthly meeting of OEO, Efficiency Vermont, and Department staff, the monthly distribution utility working group, the quarterly Drive Electric Vermont coordination meeting, the annual VADA member meeting, and regular outreach to other stakeholders. Lucci Affidavit (11/17/23) at 8-9; exh. EVT-KL-7 (revised 12/8/23) at 19-21.

Act 44 Section 1(b)(5) - Delivery on Statewide Basis

31. Efficiency Vermont proposes to deliver its Act 44 programs on a statewide basis. No Act 44 funds will be used for services specific to a distribution utility. Lucci Affidavit (11/17/23) at 8-9; exh. EVT-KL-7 (revised 12/8/23) at 21-22.

32. During the 2021-2023 performance period, Efficiency Vermont's electric vehicle market transformation programs supported the presence and growth of dealerships selling electric vehicles in almost all counties in Vermont and the low-income fuel-switch program was delivered across the state. The Act 44 programs will continue these efforts. Lucci Affidavit (11/17/23) at 8-9; exh. EVT-KL-7 (revised 12/8/23) at 21-22.

Act 44 Section 1(c) - Cooperation with Retail Electricity Providers

33. Efficiency Vermont's Act 44 proposal will provide programs, measures, or services in cooperation with the distribution utilities that provide service to customers located within Efficiency Vermont's statewide service area. Lucci Affidavit (11/17/23) at 9; exh. EVT-KL-7 (revised 12/8/23) at 22.

34. Efficiency Vermont's Act 44 programs have been designed and will be implemented to ensure integration with the distribution utilities' Tier 3 plans and budgets, with the express purpose of helping support the achievement of Tier 3 goals. Efficiency Vermont will also coordinate its program efforts with BED's Act 44 programs. Lucci Affidavit (11/17/23) at 9; exh. EVT-KL-7 (revised 12/8/23) at 22 and 33.

35. Efficiency Vermont's coordination efforts will include the monthly distribution utility working group meeting and the monthly invoicing and reporting process between Efficiency Vermont and the distribution utilities. Lucci Affidavit (11/17/23) at 9; exh. EVT-KL-7 (revised 12/8/23) at 19-22.

Act 44 Section 1(c)(1) - Savings and Reductions Claims

36. For its proposed Act 44 programs and measures, Efficiency Vermont will not claim any savings, reductions in fossil-fuel consumption, or reductions in greenhouse gas emissions by the customers of a distribution utility if the distribution utility elects to offer the program, measure, or service as part of its Tier 3 compliance, unless Efficiency Vermont and the distribution utility agree on how savings and reductions should be accounted for, apportioned, and claimed. Lucci Affidavit (11/17/23) at 9; exh. EVT-KL-7 (revised 12/8/23) at 22-23.

Act 44 Section 1(c)(2) - Evaluation and Measurement

37. The Department is the appropriate entity to evaluate Efficiency Vermont's Act 44 programs. The Department's evaluation activities can be funded with a proportional share of the evaluation funds that have been allocated under the Department's evaluation plan approved for the 2024-2026 performance period. Exh. EVT-KL-7 (revised 12/8/23) at 12.

38. To monitor its Act 44 programs, Efficiency Vermont will track and report on its activities on an annual basis during the 2024-2026 performance period. Exh. EVT-KL-7 (revised 12/8/23) at 11-12.

39. For its electric vehicle consumer awareness and education programs, Efficiency Vermont proposes metrics to measure and track: customer engagement with the electric vehicle campaign digital platform, as measured by number of sessions at the Drive Electric Vermont website; number of electric vehicle-related contacts to VEIC's contact center (including Efficiency Vermont and Drive Electric Vermont); and average likelihood of Vermonters to purchase an electric vehicle, as measured through Efficiency Vermont's consumer research. Exh. EVT-KL-7 (revised 12/8/23) at 11-12.

40. For its electric vehicle dealer program, Efficiency Vermont proposes metrics to measure and track: the number of participating dealerships in the electric vehicle dealer program, including new car dealerships and used car dealerships; the number of participating dealerships that complete an electric vehicle readiness project; number of electric vehicles associated with the dealership-salesperson sales incentive; the number of sales staff that receive the dealership-salesperson sales incentive; dealer satisfaction with trainings offered through the program; and the percentage of participating dealers that report being motivated by the program to increase the number of electric vehicles they stock and sell. Exh. EVT-KL-7 (revised 12/8/23) at 11-12.

41. For its low-income fuel-switch program, Efficiency Vermont proposes metrics to measure and track: the number of customers served in total and by distribution utilities; the geographic distribution of customers across all counties; customer satisfaction with the program and services provided; and participating contractor satisfaction with the program. Exh. EVT-KL-7 (revised 12/8/23) at 11-12.

42. Efficiency Vermont's Act 44 program activities will be provided in its 2024-2026 Triennial Plan, with annual updates to the triennial plan and regular reporting through quarterly and annual reports. Exh. EVT-KL-7 (revised 12/8/23) at 11-12.

Act 44 Section 1(d) - Calculation of Tier 3 Funds and Project Costs

43. Any funds spent on Efficiency Vermont's Act 44 programs, measures, and services will not be counted towards the calculation of funds used by a distribution utility for energy transformation projects or the calculation of energy transformation project costs. Exh. EVT-KL-7 (revised 12/8/23) at 16-17.

Rate and Bill Impacts

44. Efficiency Vermont's amended DRP proposal is modeled to have average 20-year rate and bill impacts as indicated in the following table.

Customer Class	**Rate Impacts**	**Bill Impacts (participant)**	**Bill Impacts (non-participant)**
Residential	5.1%	-5.6%	4.9%
Commercial & Industrial (no demand charge)	2.5%	-8.2%	2.0%
Commercial & Industrial (demand charge)	1.0%	-9.6%	0.4%
All Customers	3.1%	-7.6%	2.7%

Pilliod Affidavit (revised 12/8/23) at 15-16; exh. EVT-JP-2 (revised 12/8/23) at 27-28.

45. When compared to Efficiency Vermont's approved DRP, the rate and bill impact analysis for the revised DRP shows that the overall impact on rates for all customers across the 20-year period remains at approximately the same, changing from 3.0% to 3.1%. The average bill reductions across all customers remain relatively unchanged. The small change reflects the lower electrical savings the revised portfolio is expected to deliver when shifting the budgets from measures that deliver electrical savings to the proposed Act 44 programs for the transportation and thermal sectors. Pilliod Affidavit (revised 12/8/23) at 15-16; exh. EVT-JP-2 (revised 12/8/23) at 27-28.

<u>Other Impacts</u>

46. Efficiency Vermont's Act 44 proposal does not change the thermal-energy-and-process-fuels ("TEPF") budgets approved by the Commission for the 2024-2026 performance period. Lucci Affidavit at 8-10; exh. EVT-KL-7 (revised 12/8/23) at 24.

47. Efficiency Vermont's Act 44 proposal does not change the budgets and budget categories for development and support services activities approved by the Commission for the 2024-2026 performance period. Spending in support of Act 44 programs is expected in the following categories: education and training; planning and reporting; evaluation; administration and regulatory affairs; and information systems. The spending is not expected to affect the approved three-year budget totals by category. Lucci Affidavit at 8-10; exh. EVT-KL-7 (revised 12/8/23) at 24.

48. Efficiency Vermont's proposed Act 44 activities and amended DRP are not expected to affect VEIC's ability to meet its capacity obligations in the Forward Capacity Market during the 2024-2026 performance period. Pilliod Affidavit (revised 12/8/23) at 16.

49. Efficiency Vermont's Act 44 proposal does not significantly change the total cost of saved energy, the dollars spent per first-year MWh saved. Efficiency Vermont's total cost of saved energy for its approved DRP electric programs is estimated to be approximately $715 per MWh for the 2024-2026 performance period. Efficiency Vermont's amended DRP is estimated to be approximately $755 per MWh. The regional average (excluding Vermont) is $1,051 per MWh. Exh. EVT-KL-7 (revised 12/8/23) at 29.

50. There are no changes proposed to the technical reference manual measure characterizations as a result of the Act 44 programs because the transportation and thermal measures have incentives but no savings claims. Exh. EVT-KL-7 (revised 12/8/23) at 29.

51. The Advanced Clean Car II rule will require the delivery of specific quantities of zero-emission vehicles to Vermont. Efficiency Vermont forecasts that additional market support is needed beyond this rule to support Vermont achieving the greenhouse gas reduction requirements established under the Global Warming Solutions Act. Efficiency Vermont proposes its Act 44 transportation activities to help fill the gap. Exh. EVT-KL-7 (revised 12/8/23) at 30-31.

52. The Advanced Clean Car II rule only applies to the percentage of new car supply entering the state. Efficiency Vermont's Act 44 programs also include goals to expand the used

electric vehicle market. The focus on achieving greenhouse gas reductions in the used market will expand the equity component of Efficiency Vermont's Act 44 programs. Exh. EVT-KL-7 (revised 12/8/23) at 29-31.

53. In 2023, Efficiency Vermont conducted a survey of its electric vehicle dealer program, with 15 dealerships completing the survey. One of the questions asked respondents to rate their level of agreement with statements about the EV Dealer Program's impact on their dealership. All respondents agreed that the dealer program motivated their team to succeed in their electric vehicle sales goals. All but one respondent agreed that the program enabled their dealership to sell more electric vehicles. Over half of respondents indicated that the program had a positive effect on enabling dealers to stock more electric vehicles. This response is expected, as dealers' ability to stock electric vehicles is influenced by factors outside the scope of the program, such as vehicle availability and shipment quotas. Exh. EVT-KL-7 (revised 12/8/23) at 31-32.

54. Efficiency Vermont's Act 44 programs address comprehensive market transformation support, such as consumer education and supply-chain development, to ensure all models of electric vehicles are receiving the boost of market support, not just specific models supported by federal, state, and Tier 3 incentives or tax credits. This support helps to grow Vermont's electric vehicle market and increases the availability and access to all electric vehicles sold in Vermont at dealerships. Exh. EVT-KL-7 (revised 12/8/23) at 32.

55. The electric vehicle consumer awareness campaign is proposed to continue in the 2024-2026 performance period to a lesser extent than what was implemented in 2021-2023. Efficiency Vermont outreach and education efforts will continue to focus on the benefits of electric vehicles and available federal, state, and Tier 3 incentives to advance consumer familiarity, consideration, and adoption of electric vehicles. Outreach efforts will include many of those deployed during the 2021-2023 performance period, with an additional focus on community-based and in-person outreach. The 2024-2026 advertising will be significantly scaled down, with no planned investments in broad media channels, such as television. Exh. EVT-KL-7 (revised 12/8/23) at 33.

Changes to DRP Performance Goals

56. The shift in spending to Act 44 programs will reduce the savings predicted to be achieved by the electric efficiency programs in the DRP approved in 2023. For the 2024-2026

performance period, Efficiency Vermont proposes that its electric QPI 100% targets be adjusted as follows.

QPI #	Title	Approved 100% Target	Proposed 100% Target	Change in Target Value
1	Total resource benefit	$195,094,500	$180,842,000	-7.3%
2	Annual electricity savings	204,000 MWh	193,200 MWh	-5.3%
3	Summer peak demand savings	22,100 kW	20,600 kW	-6.8%
4	Winter peak demand savings	29,600 kW	28,400 kW	-4.1%
5	Lifetime electricity savings	2,657,800 MWh	2,520,300 MWh	-5.2%
6	Greenhouse gas reductions (metric tons of CO_2e)	103,000	98,500	-4.4%
7	Flexible load	2,260 kW	2,260 kW	0%
8	Administrative efficiency	$1,078,100	$1,078,100	0%

Pilliod Affidavit (revised 12/8/23) at 13-14; exh. Attachment 2 (revised 12/8/23).

57. Because the target represents the combined total number of single-family and multifamily housing units weatherized by both the electric and TEPF programs, the shift in spending to Act 44 programs will reduce the TEPF QPI target for the number of residential housing units comprehensively weatherized. For the 2024-2026 performance period, Efficiency Vermont proposes that its TEPF QPI 100% target be adjusted from 4,100 to 3,700, which represents a 9.8% decrease. Pilliod Affidavit (revised 12/8/23) at 13-14; exh. Attachment 2 (revised 12/8/23).

58. The shift in spending to Act 44 programs also affects the minimum QPI targets and the scaling calculations. No other changes are proposed to the QPIs, including performance award amounts and the weight of award on each QPI. Pilliod Affidavit (revised 12/8/23) at 13-14; exh. Attachment 2 (revised 12/8/23).

59. The minimum performance requirement addressing electric system benefits represents a benefit-to-cost ratio, where the present value of electric benefits is used as the numerator, and total energy efficiency charge spending is the denominator. The requirement has a minimum threshold of 1.0. The approved DRP is estimated to result in a value of approximately 1.50. The amended DRP with the proposed Act 44 programs is estimated to result in a value of approximately 1.42. Exh. EVT-KL-7 (revised 12/8/23) at 26-27; exh. Attachment 2 (revised 12/8/23).

Department's Recommendations for Efficiency Vermont's Act 44 Programs

60. The Department recommends that the Commission approve Efficiency Vermont's Act 44 proposals at budgets that are gradually reduced by 25% each year starting in 2024. The Department's annual compounding 25% budget reduction results in Act 44 budgets that are 42% less than those proposed by Efficiency Vermont over the three-year period. Department December 15 Comments at 1-2.

61. The Department recommends the following total budgets for Efficiency Vermont's Act 44 programs during the 2024-2026 performance period.

	Incentives	**Non-Incentives**	**3-Year Total**
Electric Vehicle Market Transformation Program	$884,531	$901,875	$1,786,406
Low-Income Fuel Switch Program	$1,456,875	$225,469	$1,682,344
Total	$2,341,406	$1,127,344	$3,468,750

Department December 15 Comments at 1-2.

62. The Department recommends the following annual budgets for Efficiency Vermont's Act 44 programs.

	2024 Incentives	**2024 Non-Incentives**	**2024 Total**
Electric Vehicle Market Transformation Program	$382,500	$390,000	$772,500
Low-Income Fuel Switch Program	$630,000	$97,500	$727,500
2024 Total			**$1,500,000**
	2025 Incentives	**2025 Non-Incentives**	**2025 Total**
Electric Vehicle Market Transformation Program	$286,875	$292,500	$579,375
Low-Income Fuel Switch Program	$472,500	$73,125	$545,625
2025 Total			**$1,125,000**
	2026 Incentives	**2026 Non-Incentives**	**2026 Total**
Electric Vehicle Market Transformation Program	$215,156	$219,375	$434,531
Low-Income Fuel Switch Program	$354,375	$54,844	$409,219
2026 Total			**$843,750**

Department December 15 Comments at 13.

63. The Department proposes these budget changes to reflect policy changes and funding in the transportation and thermal sectors and a desire to maintain the financial value that Vermonters receive from electric efficiency programs. Policy changes and funding include

ANR's Advanced Clean Cars ("ACC") and Advanced Clean Trucks ("ACT") Rules, VTrans incentives and programs, the Internal Revenue Service ("IRS") tax credits, and Agency of Commerce and Community Development ("ACCD") vehicle charging programs. Department December 15 Comments at 2-5.

64. The ACC and ACT Rules were adopted by ANR in December 2022, along with other rules requiring additional electric vehicle deliveries in medium- and heavy-duty categories and requiring automobile manufacturers to sell growing shares of electric vehicles. Beginning in model year 2026 (which begins when new vehicles are sold during calendar year 2025), these rules will require manufacturers to produce and deliver for sale an increasing percentage of zero-emission cars, trucks, and buses annually through 2035. Department December 15 Comments at 3-4.

65. VTrans has $12 million in funds available for incentives for new electric vehicles for income-qualified individuals who purchase or lease an electric vehicle. VTrans' "electrify your fleet" program has $500,000 available to support commercial, municipal, and nonprofit fleet owners purchasing electric vehicles, including off-road vehicles. VTrans' contract with Drive Electric Vermont provides technical assistance to State agencies, fleet managers, and electric vehicle charging hosts. Department December 15 Comments at 4-5.

66. VTrans' national electric vehicle infrastructure program has $21.2 million available to add fast chargers along major highways to serve through-travelers. VTrans' carbon-reduction strategy supports electric or non-emitting transit buses and heavy equipment. Department December 15 Comments at 4-5.

67. The IRS's plug-in electric drive motor vehicle credit and used clean vehicle credit provide tax credits for new and used electric vehicles, respectively. The IRS has a commercial clean vehicle tax credit for qualified vehicles for both businesses and tax-exempt organizations. The IRS's alternative fuel infrastructure tax credit of 30% applies in various non-urban, low-income, and high-poverty census tracts. Department December 15 Comments at 4-5.

68. ACCD's "workplaces and community attractions" charging grant has $3.6 million available to support electric vehicle supply equipment for Vermont employees, residents, and tourists in downtowns and other oft-visited locations. ACCD's multi-unit dwelling electric vehicle charging grant has $2.7 million to add Level 2 chargers at multifamily housing locations to serve residents. Department December 15 Comments at 4-5.

69. RES Tier 3 incentives, offered by nearly all distribution utilities, provide incentives for all-electric vehicles and plug-in hybrid vehicles, many of which include both new and pre-owned vehicles. Tier 3 incentives and discounted rates provide upfront rebates and lower operational costs for managed electric vehicle charging. Department December 15 Comments at 4-5.

70. Inflation Reduction Act ("IRA")-funded home efficiency rebates and the home electrification and appliance rebates programs will begin implementation during the 2024-2026 performance period. These federally funded programs will bring $59 million to Vermont to support thermal efficiency and electrification. Department December 15 Comments at 5.

71. The Department consulted with the State agencies mentioned above in developing its proposal to reduce the Act 44 budgets, including ANR, VTrans, and the ACCD. Department December 15 Comments at 2-5.

Discussion

As discussed below, I recommend that the Commission approve Efficiency Vermont's proposed DRP amendments for the first year of the 2024-2026 performance period to allow for the implementation of greenhouse gas emission reduction programs as authorized by Act 44. For the second and third year of the performance period, I recommend the Commission allow for further process to allow Efficiency Vermont and the Department to examine the tradeoffs of the proposed programs and budget levels for years two and three.

Act 44 was enacted to permit the continuation of the pilot greenhouse gas reduction programs first authorized under Act 151 in 2020 for the 2021-2023 performance period into the 2024-2026 performance period. Efficiency Vermont proposes to spend approximately $6,000,000 ($2,000,000 annually) of its approved electric resource-acquisition budgets for the 2024-2026 performance period on the delivery of Act 44 programs in the transportation and heating sectors. Efficiency Vermont's proposal includes the continuation and refinement of its electric vehicle dealer support activities authorized by Act 151, with more focused attention on an auto dealer education and incentive structure that rewards sales for electric vehicles, and enlargement of the market for used electric vehicles through 2026. In addition, Efficiency Vermont proposes to continue the low-income fuel-switch program delivered in partnership with the distribution utilities, which covers the full cost of a heat pump installation for low-income customers whose homes have been weatherized.

The Department recommends that the budgets for Efficiency Vermont Act 44 programs be reduced by $2,531,250, which represents an annual compounding 25% reduction that results in budgets that are 42% less than those proposed by Efficiency Vermont over the 2024-2026 performance period. Further, the Department contends that the collective goal should be to phase out funding for Act 44 activities over the upcoming performance period.[6] The Department argues that its proposed Act 44 budget reductions reflect significant policy changes and funding since the passage of Act 151 in 2020 that are aimed at accelerating greenhouse gas emission reductions in the transportation and thermal sectors.[7]

The Department maintains that the ACC and ACT Rules will require automobile manufacturers to sell growing shares of electric vehicles starting in calendar year 2025, and that the proposed funding for Act 44 transportation initiatives may displace investments that manufacturers or dealers would otherwise make anyway.[8] Separately, VTrans and ACCD have made available significant funds to encourage electric vehicle purchases and improve charging infrastructure around the state. At the federal level, the IRS provides for tax credits to encourage the same activities.[9] In addition, the Department notes that existing Tier 3 programs remain in place with the clear objective to reduce greenhouse gas emissions from fossil fuels.[10]

With respect to the heating sector programs, the Department notes that the recently enacted Clean Heat Standard is aimed at meeting the thermal sector's share of greenhouse gas reduction requirements in accordance with the Global Warming Solutions Act and is expected to bring significant financial resources to decarbonize the thermal sector.[11] The Department also notes that IRA-funded rebates directed at Vermont will enable thermal efficiency and electrification during the 2024-2026 performance period.[12] In addition, the Department contends that the Commission in a recent decision has encouraged the distribution utilities to increase their Tier 3 spending in the low-income sector and as a result expects an increase in programs and incentives designed to serve these customers.[13]

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[6] Department December 15 Comments at 1-2.
[7] Department December 15 Comments at 2-5.
[8] Department December 15 Comments at 4-5.
[9] Department December 15 Comments at 4-5.
[10] Department December 15 Comments at 4-5.
[11] Department December 15 Comments at 5.
[12] Department December 15 Comments at 5.
[13] *See Order Regarding Proxy Assumption Values,* Case No. 22-4421-INV, Order of 11/29/23 at 1; Department December 15 Comments at 5.

Given the collective policy changes, funding opportunities, and performance requirements for entities in both the thermal and transportation sectors, the Department maintains there is a reduced need for the electric energy efficiency charge to fund Act 44 programs in the 2024-2026 performance period. While the Department does not dispute that the programs and incentives proposed by Efficiency Vermont have value to customers, the Department contends that the electric energy efficiency charge is not the most appropriate funding mechanism for many of the proposed Act 44 incentives because funding these programs with the electric energy efficiency charge diverts funds from core electric efficiency programs that deliver electric system benefits.[14] The Department argues that Efficiency Vermont should be approaching the upcoming performance period with the intent of winding down Act 44 programs or securing alternative funding to support them.[15] The Department maintains that its recommended ramp-down preserves some of the electric energy efficiency charge funds to be invested as originally intended – i.e., to generate electric system benefits – and that over the long-term, robust electric system benefits will make a transition to electrifying heating and transportation end-uses more affordable for Vermonters.[16]

With respect to the Section 1(b) criteria that must be met for an EEU to expend energy efficiency charge funds on Act 44 activities, the Department agrees that Efficiency Vermont's measures and proposals will support greenhouse gas reductions in the transportation and thermal sectors and have a nexus with electricity usage, as required by Sections 1(b)(1) and (2).[17]

With respect to the Section 1(b)(3)criteria, the Department contends that most of the spending in Efficiency Vermont's Act 44 proposal is for measures that could be funded under Tier 3 programs that using electric energy efficiency charge funds to provide customer incentives for electric vehicles and heat pumps reduces the investment that distribution utilities might otherwise make for those Tier 3 measures.[18] Because Act 44 requires the diversion of funds away from cost-effective efficiency programs that have already received Commission approval in this DRP proceeding, the Department maintains that any funding proposals should be designed to strategically fill gaps that are not likely to be met through other programs. Given the ACC Rule and other changes anticipated in the electric vehicle market, the Department maintains that

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[14] Department December 15 Comments at 7-8.
[15] Department December 15 Comments at 5-6.
[16] Department December 15 Comments at 6.
[17] Department December 15 Comments at 6.
[18] Department December 15 Comments at 7.

Efficiency Vermont's proposed dealer education and support around electric vehicles can be decreased and eventually phased out.[19] The Department contends that Efficiency Vermont's low-income fuel-switch program provides the distribution utilities the opportunity to invest more robustly in low-income programs.[20]

The Department maintains that the Section 1(b)(3) requirement that Act 44 measures and programs "result in the largest possible greenhouse gas emissions reductions in a cost-effective manner" has proven difficult to demonstrate because the statute prohibits claiming fossil fuel and greenhouse gas reductions associated with measures for which a Tier 3 program is already claiming these savings. This complexity is most apparent when Act 44 funds are used simply to augment Tier 3 incentives.[21] The Department further maintains that it is challenging to evaluate whether the Act 44 proposal will yield the "largest possible greenhouse gas emissions reductions" because Efficiency Vermont does not present a justification for why the specific activities were selected in comparison to alternatives.[22]

With respect to Section 1(b)(4) requirements, the Department raises the concern that Act 44 activities overlap with Tier 3 activities and that policy changes in the transportation sector have lessened the justification for EEU spending in this arena.[23] With respect to the Section (1)(b)(5) requirements, the Department maintains that this provision is met because Efficiency Vermont's proposed activities will be delivered across the state. To the extent that Efficiency Vermont does not deliver the proposed electric vehicle dealer support activities across all distribution utility service territories, the Department notes that this provision requires the proportion of utility-specific program funds used for services to any distribution utility be no less than the proportionate share of the energy efficiency charge.[24]

While noting there are benefits to Efficiency Vermont's Act 44 proposal, the Department points out that the diversion of energy efficiency charge funds means that the benefits from traditional electric EEU programs have been reduced. The Department raises concerns that Efficiency Vermont's proposal reduces the expected savings from the electric portfolio, including reductions in total resource benefits, annual and lifetime MWh savings, summer and

[19] Department December 15 Comments at 7-8,
[20] Department December 15 Comments at 8.
[21] Department December 15 Comments at 8.
[22] Department December 15 Comments at 8.
[23] Department December 15 Comments at 8-9.
[24] Department December 15 Comments at 9.

winter peak savings, and greenhouse gas reductions. The Department also raises concerns that funding for weatherization measures, such as insulation and air sealing in homes that are heated with heat pumps, will be reduced resulting in fewer homes being weatherized during the 2024-2026 performance period.[25] Given these tradeoffs, the Department argues that its recommended budgets are the appropriate funding for these programs.

Efficiency Vermont contends that the Department's recommendations for budget reductions and the phase-out of funding are inconsistent with the history and directives established under Act 44. Because Act 44 was signed into law on June 1, 2023, Efficiency Vermont argues that the Department's suggestion that the ACC Rule supersedes the intent of Act 44 cannot be correct and that the same argument applies to other examples of the state and federal direct-to-consumer incentive programs and vehicle-charging benefits provided by the Department.[26] Efficiency Vermont also argues that, contrary to the Department's contention, nowhere in the language of Act 44 is there a collective goal of phasing out EEU-sponsored activities and that Act 44 can be read to be illustrative of the Legislature's intent to continue these programs at a consistent pace that will warrant re-evaluation by the Legislature at a future date.[27]

Efficiency Vermont contends that it cannot represent to the Commission how the Department's budget would be implemented. Efficiency Vermont maintains that its Act 44 proposal calls for the implementation of highly complex program initiatives, and that the Department's proposed budget would be unscalable, and the impracticality would be compounded by a 25% reduction in budget every year, resulting in a budget that is nearly 60% below the budget proposed. If the Department's recommendation were to be adopted, Efficiency Vermont contends that its Act 44 program descriptions, budgets, and tradeoffs as presented to the Commission would effectively be rendered inaccurate and impossible to implement. Efficiency Vermont argues that the Department's recommendations must be treated as a counter proposal. Efficiency Vermont raises the concern that the Department's counter proposal may not be worth the organizational effort required to restart and immediately phase-out initiatives.[28]

[25] Department December 15 Comments at 12.
[26] Efficiency Vermont December 22 Response at 2-3.
[27] See Act 44 at Section 1(a) ("[a]n entity may include proposals for activities allowed under this pilot in its 2027-2029 demand resource plan filing, but these activities shall only be implemented if this section is extended to cover that timeframe."); Efficiency Vermont December 22 Comments at 3-4.
[28] Efficiency Vermont December 22 Comments at 4-5.

Efficiency Vermont argues that the Department has not presented the supporting information for its counter proposal required to satisfy the Act 44 authorization standards. Efficiency Vermont maintains that the Department's proposal does not include information on how the proposal can or should be implemented, or information on how the initiatives can effectively be scaled, and lacks a reasonable program description for the Commission to review and understand the tradeoffs.[29]

Moreover, Efficiency Vermont disputes the suggestion by the Department that the distribution utilities can or should organize and arrange the statewide thermal fuel-switch program for low-income households. Efficiency Vermont maintains that this program is effectively organized today by itself as the statewide EEU and is proposed to continue as a "direct-install" program for households approved by the OEO. Efficiency Vermont contends that this program takes statewide coordination among State agencies, weatherization implementers, marketing professionals, and Efficiency Excellent Network contractors, and involves the negotiation and streamlining of utility incentives such that households never see a bill for the benefits this program delivers. Efficiency Vermont argues that it serves as the keystone organization ensuring that these services are provided on a statewide basis, and it is impossible to contemplate how to scale back its involvement in this initiative to the extent proposed by the Department.[30]

As demonstrated in the findings and the discussion above, and as required by Section 1(a) of Act 44, Efficiency Vermont is an EEU whose electric resource-acquisition budgets for the 2024-2026 performance period have been approved by the Commission pursuant to 30 V.S.A. § 209(d)(3)(B) and do not exceed its 2021-2023 performance period electric resource-acquisition budgets adjusted for cumulative inflation between January 1, 2021, and July 1, 2023. Consistent with the requirements of Section 1(a), for the 2024-2026 performance period, Efficiency Vermont proposes to reallocate approximately $6.0 million of its approved electric resource-acquisition budgets (not to exceed $2,000,000 per year) on programs, measures, and services that reduce greenhouse gas emissions in the thermal energy or transportation sectors.

`Section 1(b) of Act 44 requires the Commission to authorize a qualifying EEU to spend its electric resource-acquisition budgets, in an amount to be determined by the Commission but

[29] Efficiency Vermont December 22 Comments at 5-6.
[30] Efficiency Vermont December 22 Comments at 5.

not to exceed $2,000,000 per year, on programs, measures, and services that reduce greenhouse gas emissions if the criteria of Sections 1(b)(1) through (5) are met. Thus, the Commission is assigned the responsibility of determining the budget level at which Act 44 programs should be funded, given its insight into the process completed under 30 V.S.A. § 209(d)(2)(A). Evaluating trade-offs should be a key consideration in determining Act 44 budgets, just as it is a key consideration in establishing EEU budgets overall.

As demonstrated in the findings above, and as supported by the filings of the Department and Efficiency Vermont, Efficiency Vermont proposes amendments to its approved DRP to include programs, measures, and services that meet the requirements of Sections 1(b)(1), (2), (4), and (5). Thus, Efficiency Vermont's proposed amendments: reduce greenhouse gas emissions in the thermal energy or transportation sectors, or both; have a nexus with electricity usage; were proposed after consulting with relevant State agencies or departments and will not be duplicative or in competition with programs delivered by that agency or department; and will be delivered on a statewide basis and will be reasonably proportionate to the energy efficiency charge collected in a distribution utility territory.

With respect to Section 1(b)(3), the Department argues that Efficiency Vermont has not adequately demonstrated that its proposed Act 44 programs are additive and complementary to, and do not replace or compete with, electric distribution utility energy transformation projects implemented pursuant to 30 V.S.A. § 8005(a)(3) such that they result in the largest possible greenhouse gas emission reductions in a cost-effective manner. To address this concern, the Department recommends that the Commission approve Efficiency Vermont's Act 44 programs at significantly lower budget levels. As discussed above, the Department maintains that its recommended Act 44 budget reductions reflect significant changes in policy and funding since the passage of Act 151 in 2020 and allows the continuation of these beneficial programs while new policy initiatives are in their beginning phases of implementation and/or alternative funding sources can be identified.

I recommend that the Commission not approve the Department's recommended budget changes. As represented in Efficiency Vermont's responses, the Department's recommendations for budget reductions and the phase-out of funding are inconsistent with the history and directives established under Act 44. In addition, most of the policy changes and alternative funding identified by the Department do not take effect in 2024, thus creating a potential gap in the implementation of Act 44 activities. Further, as Efficiency Vermont maintains, the Department's proposal does not include information on how the proposal can or should be implemented, information on how the initiatives can effectively be scaled, and lacks a reasonable program description for the Commission to review and understand the tradeoffs. Unlike Efficiency Vermont's proposal, the Department has not provided resource-acquisition modeling or other documentation to demonstrate the tradeoffs, including whether its proposed budgets significantly improve the expected savings of Efficiency Vermont's electric portfolio.

As demonstrated in the findings above and the filings made by Efficiency Vermont, Efficiency Vermont's proposed Act 44 programs are additive and complementary to, and do not replace or compete with distribution utility Tier 3 projects. The proposed Act 44 programs also significantly promote equity objectives that have been historically underserved by Tier 3 programs. However, I share the Department's concern that Efficiency Vermont's proposal reduces the expected savings from the electric portfolio, including reductions in total resource benefits, annual and lifetime MWh savings, and summer and winter peak savings, and reduces the number of weatherized homes. Given the policy changes and alternative funding identified by the Department to take effect in 2025 and 2026, I remain concerned that Efficiency Vermont's proposed Act 44 activities for these years may not result in the largest possible greenhouse gas emission reductions in a cost-effective manner.

Accordingly, I recommend that the Commission approve Efficiency Vermont's proposed Act 44 programs and budgets for the 2024 performance year. I also recommend that further process be conducted in this proceeding to allow Efficiency Vermont and the Department to further examine the tradeoffs for the 2025 and 2026 performance years. I recommend that the Commission make its determinations on Efficiency Vermont's Act 44 programs for years 2025 and 2026 after this process is completed. These recommendations help avoid a potential gap in the implementation of Act 44 activities and help ensure the statutory intent that Efficiency Vermont's Act 44 programs result in the largest possible greenhouse gas emission reductions in a cost-effective manner.

Within 60 days of this Commission Order, I recommend that Efficiency Vermont be required to make additional filings examining the tradeoffs of its Act 44 proposal for the 2025 and 2026 performance years, including examining budget reductions or other program changes that improve expected savings from the electric portfolio and increase the number of weatherized units for the 2024-2026 performance period. I also recommend that the Department be provided with the opportunity to make additional filings examining the tradeoffs of its Act 44 budget proposals.

Efficiency Vermont will report on its Act 44 program efforts through the triennial plan proceedings. The Commission has scheduled the review of the triennial plan for the 2024-2026 performance period in Case No. 23-4102-INV. The triennial plan review will include the DRP amendments approved by the Commission.

As discussed in the findings above, and as required by Section 1(c)(2) of Act 151, the Department will evaluate Efficiency Vermont's Act 44 programs. In an October 2, 2023, Order is this proceeding, the Commission approved the Department's evaluation plan and budgets for the 2024-2026 performance period. If the Commission's determinations on this proposal for decision affect the approved evaluation plan and budgets, the Department should make a filing in this proceeding to propose changes for Commission approval.

Finally, I recommend that the Commission approve the proposed changes made to Efficiency Vermont's electric and TEPF QPI targets to reflect the implementation of its Act 44 programs. The electric and TEPF QPI targets I recommend the Commission approve for the 2024-2026 performance period are contained in exhibit Attachment 2 (revised 12/8/23). The tables in the Attachment 2 contain the electric and TEPF QPIs and minimum performance requirements for the 2024-2026 performance period, including corresponding incentive amounts for each target, minimum targets, 100% target levels, scaling calculations, and financial consequences for under-performance. I note that the QPI targets and corresponding tables may need future changes and approvals by the Commission based on the future process recommended in this proposal for decision. Given that QPI targets and scaling calculations for compensation are established across the three-year period and difficult to separate by year, I recommend approval of the QPI targets across all three years rather than just for 2024.

IV. CONCLUSION

In this proposal for decision, I recommend that the Commission approve amendments to Efficiency Vermont's DRP to allow for the implementation of greenhouse gas emission reduction programs as authorized by Act 44 in the 2024 performance year. For years 2025 and 2026 of the performance period, I recommend the Commission allow for further process to examine whether the proposed programs and budget levels result in the largest possible greenhouse gas emission reductions in a cost-effective manner.

This proposal for decision has not been circulated to the parties pursuant to 3 V.S.A. § 811 because the Department and Efficiency Vermont agreed to schedules in this proceeding that called for a Commission order with no circulated proposal for decision. In addition, I recommend approval of 2024 now, before all questions related to 2025 and 2026 have been resolved, in the interest of avoiding significant gaps in the implementation of Act 44/Act 151 programs. These recommendations are consistent with the December 1, 2023, Order that encouraged participants to propose schedules that expedite the proceeding.[31]

Mary Jo Krolewski

Mary Jo Krolewski
Hearing Officer

[31] *See Order Addressing Efficiency Vermont's and Burlington Electric Department's Requests to Extend Act 151 Programs*, Case No. 22-2954-PET, Order of 11/2/23.

V. ORDER

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED by the Public Utility Commission ("Commission") of the State of Vermont that:

1. The findings, conclusions, and recommendations of the Hearing Officer are adopted.

2. Efficiency Vermont is authorized to use a portion of the funding received through the energy efficiency charge for the implementation of greenhouse gas emission reduction programs targeted at the thermal energy and transportation sectors as called for under Vermont Public Act No. 44 (2023 Vt., Bien Sess.).

3. The electric resource-acquisition budgets for Efficiency Vermont for the 2024-2026 performance period approved in the September 26, 2023, Order are amended to reflect the changes approved in this Order.

4. The electric and thermal-energy-and-process-fuels quantifiable performance indicators and minimum performance requirements for Efficiency Vermont for the 2024-2026 performance period, including corresponding incentive amounts for each target, minimum targets, 100% target levels, scaling calculations, and financial consequences for under-performance, are those contained in exhibit Attachment 2 (revised 12/8/23).

5. Efficiency Vermont must not claim any savings and reductions in fossil-fuel consumption or in greenhouse gas emissions by the customers of any distribution utility resulting from a program, measure, or service authorized pursuant to this Order if said distribution utility elects to offer the program, measure, or service, pursuant to 30 V.S.A. § 8005(a)(3), unless Efficiency Vermont and the distribution utility agree on how savings and reductions should be accounted for, apportioned, and claimed.

6. Efficiency Vermont must file any updated triennial plan for the 2024-2026 performance period reflecting the amendments to the Demand Resources Plan approved in this Order in Case No. 23-4102-INV, in advance of the workshop scheduled in the case.

7. Within 60 days of the Commission Order, Efficiency Vermont must make additional filings examining the tradeoffs of its Act 44 proposal for the 2025 and 2026 performance years, including examining budget reductions or other program changes that improve expected savings from the electric portfolio and increase the number of weatherized units for the 2024-2026 performance period. The Vermont Department of Public Service is provided with the opportunity to make additional filings examining the tradeoffs of its Act 44 budget proposals.

Dated at Montpelier, Vermont, this 10th day of January, 2024.

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

OFFICE OF THE CLERK

Filed: January 10, 2024

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)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Commission within 30 days. Appeal will not stay the effect of this Order, absent further order by this Commission or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Commission within 28 days of the date of this decision and Order.

PUC Case No. 22-2954-PET - SERVICE LIST

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