STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 24-2317-INV

Investigation of the Energy Savings Account
and Customer Credit programs pursuant to
30 V.S.A. Section 209(d)(3)(C)

SMURFIT WESTROCK COMMENTS ON THE DEPARTMENT OF PUBLIC SERVICE'S PROPOSAL FOR PROGRAM DESIGN CHANGES FOR ENERGY SAVINGS ACCOUNT AND CUSTOMER CREDIT PROGRAMS

On behalf of Smurfit Westrock (formerly WestRock), and pursuant to the Public Utility Commission's ("PUC") scheduling order, please accept these comments in response to the Department of Public Services' ("DPS") proposed program design changes, filed on August 22, 2024.

As background, Smurfit Westrock has been an active participant in the Energy Savings Account ("ESA") Pilot program as well as the Energy Savings Account Partnership Pilot Program Working Group. In addition, Smurfit Westrock was active in the development of recently enacted Act 142 of 2024 that was the impetus to this investigation to update the ESA and Customer Credit Program ("CCP"). To that end, we appreciate the timely manner in which the PUC has started this investigation, especially since the Pilot Program ended in December of 2023 and Smurfit WestRock, like other Pilot Participants, is eager to have the PUC update the programs and allow enrollment into the revised and improved ESA and CCP as soon as practicable.

Overall, Smurfit Westrock strongly supports the DPS' proposed program design changes as they represent significant improvements over the existing programs and are based on our collective experience with the Pilot Program. While there are still areas of disagreement as reflected in the DPS' Report to the General Assembly, dated January 15, 2023, Smurfit Westrock accepts the DPS proposal and offers the following comments and questions for consideration.

ESA Program Criteria (p.4) – Smurfit Westrock understands that the ESA program prioritizes electric efficiency measures and projects, however our understanding from the Report and discussions with DPS is that non-electric efficiency measures may be pursued if a participant has submitted an Energy Management Plan to the PUC explaining the need for such project and why it should be prioritized. The DPS proposal, perhaps in error, suggests that non-electric measures can be pursued “for those participants that may have exhausted cost-effective electric efficiency measures….” It is our understanding that a participant need not “exhaust” all electric efficiency measures before pursuing non-electric efficiency measures, but that such projects may be pursued following submission of an Energy Management Plan (after it is reviewed by the EEU and the DPS) explaining the need for the projects, the estimated electric and other energy and non-energy benefits, the expected, cost, and if all electric efficiency measures in the energy audit have not been completed, why the project is being prioritized by the applicant.

ESA Application and Enrollment Periods (pp. 7-8) – DPS has proposed a three-year cycle for the ESA program to align with the EEU three-year budget and goal setting process. While some ESA Pilot participants had proposed the flexibility to enroll on an annual basis, we understand the administrative reasons for the DPS proposal and support it. In order to now expedite enrollment in the ESA and CCP programs, DPS is proposing a January 2025 enrollment period that would then extend through the following performance period and end in December 2029. This is because the EEU is in the middle of a performance period with the next one not beginning until January 2027 and waiting until 2027 would unnecessarily delay participant enrollment in the ESA and CCP programs. Therefore, we strongly support the DPS proposal to open up enrollment in January 2025 and to extend the performance period through December 2029.

The subsequent issue for consideration is that the first full enrollment period would then be 2030-2032. Does this mean that any new participants (not previously enrolled in the ESA Pilot) would not be permitted to apply and enroll until 2030? If that is accurate a compromise must be sought to allow for some entry for the 2027 cycle. We do support the DPS’ proposal that any ESA Pilot participants be given automatic approval for the new program with a simplified application process. However, it is very likely that not all prior ESA Pilot participants will enroll in the new program or that it will be undersubscribed and therefore there will be room for new entrants in the ESA. Waiting until the 2030 cycle for new entrants seems excessively long and not the most beneficial implementation of the ESA program. A possible compromise could be to allow ESA Pilot participants automatic entry into the ESA program in 2025 and then assess the additional capacity of the ESA program and allow for additional new applicants in 2027 to utilize that capacity.

Customer Credit Program (pp.10-11) – Smurfit Westrock is considering making an application for the revised CCP when it becomes available. We support the DPS' description of the program contained on pp. 9-10 of their filing. In addition, and to make sure this point is made explicit, the DPS proposal (as well as the legislative report) allows for the CCP to have the most flexibility possible for CCP participants and to include all types of eligible measures and projects, which include thermal and process fuel efficiency, flexible load management, combined heat and power systems, demand management, energy productivity, and energy storage. CCP participants may pursue any of these types of measures and projects provided they meet the cost-effectiveness screening process, and unlike the ESA program, are not required to seek prior PUC authorization to pursue non-electric measures or projects. We highlight this key difference because we are interested in the CCP not only for the higher reimbursement levels, but because of the flexibility provided in areas where Smurfit Westrock has substantial potential energy savings.

CCP Allowable Measures and Reimbursement (p.11) – The DPS' proposal recommends that the cost of engineering, planning and study costs should be reimbursed up to 25% of the total costs. The reason is to make sure that EEC funds are spent on projects that are implemented and not entirely on engineering and study costs. It has been Smurfit Westrock's experience that engineering costs can easily exceed 25% for complex projects. Therefore, Smurfit Westrock would like to propose for consideration a compromise whereby engineering and study costs in excess of 25% could be reimbursed after a project has been implemented. This would address the DPS' concern about funds being spent without project implementation and a participant's ability to recover legitimate project costs.

CCP Application and Enrollment Periods/Participation Requirements (pp.11-12) – The DPS proposal recommends the same application and enrollment period for the CCP as the ESA. Smurfit Westrock therefore seeks some further clarification and offers the following suggestions. We assume that the DPS is proposing enrollment in the CCP in January 2025 for the extended performance period similar to the ESA enrollment timeline. In other words, enrollment in 2025 for a five-year period with a full open enrollment opportunity in 2030. The clarification sought is whether ESA Pilot participants, such as Smurfit Westrock, would be automatically allowed to enroll in the CCP, provided of course that they "demonstrate their commitment to pursuing cost effective energy efficiency (electric and thermal), demand management, combined heat and power, or energy storage on its own" (which prior ESA Pilot participation should satisfy) and meet the <u>additional</u> programmatic requirement that they have "a designated, dedicated contractor or staff within the corporation with responsibility to develop, analyze, implement, and verify projects. These personnel should be Certified Energy professionals or licensed engineers and/or have an applicable degree from an ABET-accredited institution or formal energy or environmental certification such as an ISO or EU standard. This should be certified/justified every three years."

In summary, Smurfit Westrock suggests that if an ESA Pilot participant can make the additional programmatic demonstration of in-house or contracted energy expertise, it should be able to apply and be accepted into the revised CCP as soon as possible. As the PUC and DPS are well aware, the CCP has historically only had one participant, and has been perceived as being overly complicated to utilize. Revising and improving this program so that it can be utilized by new, qualified participants should be a priority and encouraged.

Smurfit Westrock greatly appreciates the very long and involved process that the DPS, EEU, and Pilot Participants have been through to reach this point of making revisions and updates to the existing ESA and CCP programs. These programs facilitate the design and implementation of larger scale energy efficiency projects by some of Vermont's largest energy users in rural areas of the state. The reimbursement process allows these companies to plan further into the future and leverage greater internal company resources to tackle meaningful projects that otherwise might not be pursued. In the grand scheme of the EEU budget, these programs are very small, but for the participating companies they are very important and will help Vermont and these key employers reach our greenhouse reduction goals.

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