

STATE OF VERMONT  
PUBLIC UTILITY COMMISSION

Case No. 24-1493-PET

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Efficiency Vermont's request for a proceeding to review the effects of unanticipated Energy Efficiency Utility funding on quantifiable performance indicators, fees, and services, and to review related and unrelated amendments to the 2024-2026 Demand Resources Plan	
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Order entered: 12/06/2024

**ORDER APPROVING AMENDMENTS TO EFFICIENCY VERMONT'S  
2024-2026 DEMAND RESOURCES PLAN**

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**

This case concerns Efficiency Vermont's request for a proceeding to review the effects of unanticipated Energy Efficiency Utility ("EEU") funding on its quantifiable performance indicators ("QPIs"), fees, and services and to review related amendments to the Demand Resources Plan ("DRP") for the 2024-2026 performance period. This proceeding also addresses other unrelated amendments to Efficiency Vermont's DRP approved in Case No. 22-2954-PET, including changes to the thermal-and-process-fuels ("TEPF") funding forecast, modeling results, and performance goals.

In this Proposal for Decision, I recommend that the Commission approve the proposed amendments to Efficiency Vermont's DRP for the 2024-2026 performance period. The amendments include changes to the TEPF budgets and programs, expected TEPF savings, and Efficiency Vermont's TEPF performance goals and compensation.

**II. PROCEDURAL HISTORY**

In a September 26, 2023, Order, the Commission approved Efficiency Vermont's DRP

for the 2024-2026 performance period.<sup>1</sup> The September 26 Order included the approval of TEPF budgets and programs.

On May 14, 2024, Efficiency Vermont filed a motion with the Commission requesting a proceeding to review the effects of unanticipated EEU funding on its QPIs, fees, and services. Efficiency Vermont's motion included a request that the Commission open a process to allow for proposed amendments to Efficiency Vermont's DRP for the 2024-2026 performance period to account for the unanticipated funding.

In a July 23, 2024, Order, the Commission approved Efficiency Vermont's request to manage separately the activities supported by the unanticipated funding from those activities supported by the energy efficiency charge or TEPF budgets.

On September 13, 2024, Efficiency Vermont filed prefiled testimony and exhibits supporting its proposed amendments to its approved DRP in Case No. 22-2954-PET.

On October 17, 2024, the Vermont Department of Public Service ("Department") filed comments in support of Efficiency Vermont's proposed DRP amendments.

On October 18, 2024, Efficiency Vermont filed reply comments.

No party has requested an evidentiary hearing or objected to the prefiled testimony and exhibits. Accordingly, the following prefiled testimony, exhibits, comments, and documents are admitted as if presented at a hearing: prefiled testimony of Jay Pilliod, Efficiency Vermont ("Pilliod pf.") and exhibits EVT-JP-1a and EVT-JP-1b; prefiled testimony of Haley Roe, Efficiency Vermont ("Roe pf.") and exhibit EVT-HR-1; prefiled testimony of David Westman, Efficiency Vermont ("Westman pf.") and exhibits EVT-DW-1 and EVT-DW-2; Efficiency Vermont's May 14 Petition and Attachments; Efficiency Vermont's September 13 Petition; the Department's October 17 Comments and Attachment A; and Efficiency Vermont's October 18 Reply Comments.

### **III. EFFICIENCY VERMONT'S AMENDED DEMAND RESOURCES PLAN FINDINGS**

Based on the motion and the accompanying record in this proceeding, I have determined that this matter is ready for decision. Based on the evidence of record, I report the following proposed findings to the Commission in accordance with 30 V.S.A. § 8(c).

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<sup>1</sup> *Order Approving Efficiency Vermont's 2024-2026 DRP*, Case No. 22-2954-PET, Order of 9/26/23.

1. Efficiency Vermont proposes amendments to its DRP for the 2024-2026 performance period, approved in Case 22-2954-PET. The amendments address the receipt of federal American Rescue Plan Act (“ARPA”) funds and changes to the TEPF revenue forecast. Westman pf. at 3.

#### ARPA-Funding Contract

2. Vermont Energy Investment Corporation (“VEIC”), as the administrator of Efficiency Vermont, entered a contract with the Department supported through a total of \$25 million in ARPA funds for calendar years 2024 through 2026. Under the terms of the contract, Efficiency Vermont will provide monetary incentives and technical assistance to residential customers for weatherization projects. The contract provides for the delivery of service subject to a performance-based arrangement. Westman pf. at 3-4.

3. Because the ARPA-funding contract includes spending restrictions and reporting requirements, the activities supported by the contract will be managed separately from Efficiency Vermont activities supported by the energy efficiency charge or TEPF budgets. The ARPA funds under the contract will be significantly restricted compared to the use of EEU funds authorized under 30 V.S.A. § 209. The restrictions include a prohibition on providing incentives to households with greater than 120% area median income. In addition, the ARPA contract contains separate requirements for tracking and reporting the use and effect of the ARPA funds under reporting guidelines outlined by the Department and the State of Vermont. Westman pf. at 3-4; Efficiency Vermont’s May 1 Petition at 3-4.

4. Under the terms of the contract, Efficiency Vermont’s programs will include weatherization technical assistance to orient homeowners towards completing weatherization projects and incentives for home repairs that are deemed necessary for weatherization work. Pilliod pf. at 4.

#### Amendments to TEPF Budgets and Programs

5. For the 2024-2026 performance period, Efficiency Vermont’s approved TEPF budgets align with the forecast of Forward Capacity Market (“FCM”) revenues and RGGI auction proceeds. The forecast was based on capacity and RGGI auctions that occurred through December 2022. Roe pf. 4; exh. EVT-HR-1.

6. For the 2024-2026 performance period, pursuant to 30 V.S.A. § 209(d)(3)(B), the Commission approved the following TEPF budgets for the 2024-2026 performance period:

	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>Total</b>
Resource Acquisition	\$8,500,000	\$8,670,000	\$8,843,500	\$26,013,500
Development and Support Services	\$610,704	\$674,099	\$648,451	\$1,933,300
Operations Fee	\$45,554	\$0	\$0	\$45,554
Performance Award Set-Aside	\$409,982	\$467,205	\$474,600	\$1,351,787
TEPF Clearinghouse	\$0	\$31,133	\$0	\$31,133
Department Evaluation	\$622,949	\$167,531	\$233,461	\$1,023,941
<b>Total</b>	<b>\$9,766,235</b>	<b>\$10,459,863</b>	<b>\$10,166,600</b>	<b>\$30,392,698</b>

Westman pf. at 3-4; *see also* Case No. 22-2954-PET, Order of 9/26/23.

7. An updated forecast was developed to reflect capacity and RGGI auctions that have occurred through early September 2024 and to reflect the 2023 year-end TEPF fund balance. The updated forecast shows additional revenue of approximately \$7,828,096 to accrue during the 2024-2026 performance period. Roe pf. 4-5; exh. EVT-HR-1.

8. Efficiency Vermont proposes a \$2,499,873 increase to the approved TEPF budgets for the 2024-2026 performance period. Efficiency Vermont proposes that the remaining TEPF funds of approximately \$6.6 million that are forecasted to accrue be used to support thermal efficiency activities in future performance periods. Roe pf. 5-7; exh. EVT-DW-2.

9. Efficiency Vermont proposes the following amended TEPF budgets for the 2024-2026 performance period to reflect the updated revenue forecast.

	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>Total</b>
Resource Acquisition	\$9,490,000	\$9,174,900	\$9,587,286	\$28,252,186
Development and Support Services	\$653,661	\$721,515	\$694,063	\$2,069,240
Operations Fee	\$50,718	\$0	\$0	\$50,718
Performance Award Set-Aside	\$456,465	\$494,821	\$514,067	\$1,465,353
TEPF Clearinghouse	\$0	\$31,133	\$0	\$31,133
Department Evaluation	622,949	\$167,531	\$233,461	\$1,023,941
<b>Total</b>	<b>\$11,273,794</b>	<b>\$10,589,900</b>	<b>\$11,028,878</b>	<b>\$32,892,571</b>

Exh. EVT-DW-2.

10. Efficiency Vermont proposes the following program changes to reflect the approximately \$2.5 million increase in the TEPF budgets and to reflect that the ARPA contract will be providing incentives to customers with moderate and low incomes. The proposed

changes include: (a) a shift of most weatherization customer incentives to include only households with market-rate income (above 120% area median income), except for certain projects for customers with low income that were installed in 2024 or projects not eligible under the ARPA contract in 2025 and 2026; (b) an increase in project incentive levels for customers and trade allies; (c) an increase of approximately \$1 million in the Home Performance with Energy Star program budget to account for incentive and project quantity changes; (d) an allocation of approximately \$300,000 to support flood recovery programs and services in 2024 that continues the program launched in 2023, with an estimated \$250,000 of funds to serve commercial and industrial customers; and (e) \$600,000 of the resource-acquisition budgets devoted to workforce development efforts in 2025 and 2026. Westman pf. at 8-9.

11. The proposed TEPF amendments increase weatherization projects for customers with low income by 98 projects across the performance period. Weatherization projects for customers with moderate income are reduced from 1,164 to 64 projects, reflecting that 1,767 projects for customers with low-to-moderate income are expected to be completed using the ARPA-contract funds. Weatherization projects for customers with market-rate income are reduced from 1,491 to 1,150 projects, reflecting the increased incentive amounts and changing market conditions. Pilliod pf. at 10-11.

12. The proposed \$600,000 for workforce development helps increase Vermont's capability to perform weatherization and efficiency projects. Vermont has a shortage of well-trained contractors and technicians with the capability to implement weatherization and efficiency technologies. Efficiency Vermont relies on the knowledge, skills, and availability of a robust contractor network to successfully deliver programs and services and to achieve its TEPF savings goals. Westman pf. at 15.

13. The Department is developing a request for proposals to solicit bids to support workforce development efforts in Vermont. The TEPF funding will fill gaps in funding and will complement, not duplicate, the efforts by the Department and other stakeholders. Efficiency Vermont proposes to partner with stakeholders to help build additional workforce capability to grow Vermont's weatherization and efficiency installation and maintenance capabilities. Westman pf. at 14-16

14. Efficiency Vermont proposes an approximately \$150,000 increase to the development and support services budgets to reflect the overall increase to the TEPF budgets for the 2024-

2026 performance period. The increase will be apportioned across the development and support services budget categories: education and training; applied research and development; planning and reporting; evaluation; administrative and regulatory affairs; and information systems.

Westman pf. at 8-9; exh. EVT-DW-1.

15. Efficiency Vermont proposes an approximately \$130,000 increase to the total potential compensation award to reflect the overall increase in the TEPF budgets. Efficiency Vermont is eligible for a 5% compensation rate that applies to the TEPF performance targets for MMBtu savings and greenhouse gas emissions. Westman pf. at 9; exh. EVT-DW-2.

16. Efficiency Vermont proposes no changes to the approved electric budgets for the 2024-2026 performance period, including the Energy Savings Account (“ESA”) program. Updates to the ESA program are under consideration in Case No. 24-2317-INV to reflect changes made to the program by Public Act 142. Currently, before the ESA updates are completed, there is insufficient information to make changes to the electric resource-acquisition modeling for the 2024-2026 performance period. This includes addressing the \$2,875,389 of carryover funds from the ESA pilot program available as of January 2024. Westman pf. 9-11; exh. EVT-DW-2.

17. Efficiency Vermont proposes no changes to its approved DRP to reflect any changes to the methodology for assessing indirect cost recovery. A new process to assign indirect costs to its various programs and initiatives is under consideration as part of Case No. 22-2945-PET, which included the initial approval of Efficiency Vermont’s DRP for the 2024-2026 performance period. Efficiency Vermont used a proxy for the assessed indirect charge in its modeling of the proposed DRP amendments. Because the changes to the indirect cost methodology are expected to be modest and are reflected in the performance attributed to the electric QPI target for administrative efficiency, the proposed DRP amendments are not expected to need additional adjustments to reflect changes to indirect costs. Westman pf. at 11.

#### TEPF Resource-Acquisition Modeling and Savings

18. Efficiency Vermont conducted resource-acquisition modeling to develop its amended DRP proposal. The amended resource-acquisition modeling assumes annual budgets (in 2024 dollars) of \$9,490,000 in 2024, \$8,995,000 in 2025, and \$9,215,000 in 2026, and \$5,460,470 (in 2024 dollars) for the remaining seven years (2027-2033). The amended modeling does not

include any changes to 2027-2033 when compared to the approved DRP. Pilliod pf. at 7; exh. EVT-JP-1b.

19. Efficiency Vermont's TEPF resource-acquisition modeling uses a comprehensive "bottom up" approach and includes input assumptions based on historical program performance and market studies and intelligence. The modeling incorporates the updated forecast of FCM revenues and RGGI auction proceeds. Pilliod pf. at 8; exh. EVT-JP-1b.

20. The amended TEPF modeling uses the additional FCM and RGGI revenues to focus more on the residential sector and customers with moderate-to-low income. The additional funding is applied with sector splits of 87.5% spending for residential, 12.5% for commercial and industrial, and 42% for customers with low income. The approved DRP had sector splits of 75% spending for residential, 25% for commercial and industrial, and 21% for customers with low income. Pilliod pf. at 8; exh. EVT-JP-1b.

21. The amended TEPF resource-acquisition modeling includes adjustments to the weatherization incentive levels and quantities of weatherization projects to reflect the availability of ARPA funding for households with low-to-moderate income. The amended modeling includes increases in customer and trade ally incentive levels, the Home Performance with Energy Star program budget, the flood recovery programs and services, and the workforce development efforts. All other aspects of the TEPF modeling remain consistent with the models and results for the approved DRP in Case No. 22-2954-PET. Pilliod pf. at 10-13; exh. EVT-JP-1b.

22. The resource-acquisition modeling results provide the expected savings from the TEPF programs and services. The results are used to develop the proposed TEPF QPI targets for annual MMBtu savings, residential single-family comprehensiveness, housing units weatherized, and greenhouse gas reductions. Pilliod pf. at 12.

23. For the 2024-2026 performance period, Efficiency Vermont's proposed amended TEPF DRP is expected to result in 354,891 MMBtu savings, and 20,387 metric tons of CO<sub>2e</sub> of greenhouse gas reductions. The number of housing units to be weatherized, which includes single-family and multifamily buildings, is forecast to be 2,467 over the 2024-2026 performance period. Pilliod pf. at 13-14; exh. EVT-JP-1b.

24. The proposed TEPF DRP amendments do not change the expected modeled savings over the 2027-2033 period. Pilliod pf. at 13-14; exh. EVT-JP-1b.

25. The proposed TEPF amendments result in an increased cost of acquisition, in dollars per MMBtu, when compared to the approved DRP for the 2024-2026 performance period. The cost of acquisition is approximately \$93 per MMBtu for the proposed programs for residential customers with market-rate incomes and approximately \$226 per MMBtu for customers with low incomes. Exh. EVT-JP-1b; Attachment A of Department's October 17 Comments.

26. The amended TEPF portfolio of programs and services is societally cost-effective. The portfolio results in a benefit-to-cost ratio of 4.28 for the 2024-2026 performance period. Pilliod pf. at 13-14; exh. EVT-JP-1b.

27. The results of the TEPF resource-acquisition modeling are consistent with the requirements of Section 209(d)(3)(B). Efficiency Vermont's proposed amendments to its TEPF programs and services are modeled to be societally cost-effective based on application of the Vermont state screening tools, updated with the most recently approved avoided costs and screening values. The amendments satisfy the test for the delivery of least-cost efficiency services as described in 30 V.S.A. § 218c(a)(1). Westman pf. at 13-14; exh. EVT-JP-1b.

#### Changes to TEPF Performance Goals

28. For the 2024-2026 performance period, Efficiency Vermont proposes that its TEPF QPI 100% targets be adjusted as follows.

QPI #	Title	Approved 100% Target	Proposed 100% Target
1	Thermal and mechanical MMBtu savings	381,300	372,600
2	Residential single-family comprehensiveness	100%	100%
3	Housing units weatherized	3,700	2,470
4	Greenhouse gas reductions (metric tons of CO <sub>2</sub> e)	20,900	20,400

Pilliod pf. at 13-14; exh. EVT-DW-1.

29. For the 2024-2026 performance period, Efficiency Vermont proposes no significant changes to the three TEPF minimum performance requirements addressing participation by residential customers, participation by customers with low incomes, and resource-acquisition performance period spending. The total spending amount for the minimum performance requirement addressing resource-acquisition performance period spending has been updated to reflect the increase in the TEPF budgets. Pilliod pf. at 13-14; exh. EVT-DW-1.

#### **IV. DISCUSSION**

As discussed below, I recommend that the Commission approve Efficiency Vermont's proposed amendments to its DRP for the 2024-2026 performance period, approved in Case No. 22-2954-PET. The amendments address the TEPF budgets, programs, expected savings, and performance goals.

Pursuant to Section I.2.C of the Process and Administration of an Energy Efficiency Utility Order of Appointment (the "Process and Administration document"), an EEU must notify the Commission and the Department of any unanticipated additional funding that it secures and propose to the Commission a method by which the funding should affect QPIs, fees, and/or services to be provided by an EEU.<sup>2</sup> The Process and Administration document also provides that the Commission establish a process to review and determine the effects of the funding on the EEU's QPIs, fees, and services.

Efficiency Vermont proposes amendments to its approved DRP to reflect changes in its TEPF programs due to the ARPA-funding contract and increases in forecasted FCM and RGGI revenues. Efficiency Vermont proposes to use the additional TEPF funding to focus on residential customers and customers with low income. The amended DRP increases weatherization incentives and adjusts the quantities of weatherization projects across customers with low, moderate, and market-rate incomes to account for the availability of ARPA funding for customers with low-to-moderate incomes.

The Department recommends that the Commission approve Efficiency Vermont's proposed DRP amendments. The Department notes that Efficiency Vermont's proposal increases the spending and sector share for customers with low income and increases the portfolio benefit-to-cost ratio. The Department states that the proposed amendments invest more resources and propose to complete more projects for customers with low income given the availability of ARPA funding that is focused on customers with moderate incomes. The Department views the proposal's slightly greater cost per unit of MMBtu saved and the reduction in projects for customers with moderate/market-rate incomes as reasonable tradeoffs given the circumstances and the countervailing improved benefit-to-cost ratio.

I recommend that the Commission approve Efficiency Vermont's proposed DRP amendments. The proposed TEPF resource-acquisition budgets and development and support

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<sup>2</sup> The Process and Administration document was approved on December 27, 2022, in Case No. 22-1647-PET.

services budgets are consistent with the updated forecasts of FCM revenue and RGGI auction proceeds. The proposed budgets and programs are consistent with applicable statutory considerations under Section 209 and result in cost-effective energy savings. The focus on weatherization activities for residential customers and customers with low income represents reasonable tradeoffs and will allow Vermont to make progress on the goals set out in 10 V.S.A. § 581, aimed at improving the energy fitness of Vermont's housing stock, reducing residential annual fuel needs and fuel bills, reducing fossil fuel consumption across all building types, and increasing weatherization services to low-income Vermonters.

Finally, I note that TEPF revenue and ARPA-contract funds are subject to possible changes over the 2024-2026 performance period.<sup>3</sup> I recommend the Commission's approval of the proposed amendments be subject to the assumptions of the TEPF funding and ARPA funding identified in today's Order. Any significant changes in funding over the performance period may result in additional amendments to programs or performance goals

#### V. CONCLUSION

In this proposal for decision, I recommend that the Commission approve amendments to Efficiency Vermont's DRP. The amendments include changes to the TEPF budgets, expected TEPF savings, and Efficiency Vermont TEPF QPIs, minimum performance requirements, and compensation.

This Proposal for Decision has not been circulated to the parties pursuant to 3 V.S.A. § 811 because it is not adverse to any of the parties.



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Mary Jo Krolewski  
Hearing Officer

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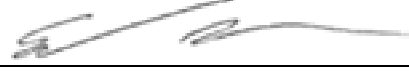
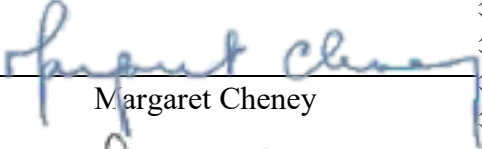
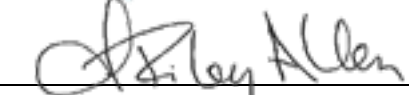
<sup>3</sup> Because the contract extends more than one fiscal year (July 1 to June 30), the State has the option to cancel the ARPA contract if appropriations are insufficient to support the agreement. *See* Attachments to Efficiency Vermont's May 14 Petition; *see also* Sec. E.106, Vermont Public Act 113 (2024).

**IV. 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.
3. The thermal-and-process-fuels resource-acquisition budgets and development and support services 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 10-year forecast of thermal savings for Efficiency Vermont are those approved in this Order.
5. 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 EVT-DW-1.
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. 24-3335-INV.

Dated at Montpelier, Vermont this 6th day of December, 2024.

 _____ )	) PUBLIC UTILITY ) ) COMMISSION ) OF VERMONT
Edward McNamara )	
_____ )	
 _____ )	) COMMISSION ) ) OF VERMONT
Margaret Cheney )	
_____ )	
 _____ )	) OF VERMONT
J. Riley Allen )	

OFFICE OF THE CLERK

Filed: December 6, 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 thirty 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. 24-1493-PET - SERVICE LIST

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