

STATE OF VERMONT
PUBLIC SERVICE BOARD

EEU-2010-06

In re: Energy Efficiency Utility ("EEU"))
Demand Resources Plan)

Order entered: 1/8/2015

ORDER RE: VEIC REQUEST TO TRANSFER NRA FUNDS

I. INTRODUCTION

On October 23, 2014, Vermont Energy Investment Corporation ("VEIC")¹ filed a request for approval from the Public Service Board ("Board") to transfer funds among eligible non-resource acquisition ("NRA") budget categories (the "VEIC Request"). In today's Order, the Board approves the VEIC Request.

II. BACKGROUND

On October 23, 2014, VEIC filed its Request.

On October 30, 2014, the Board issued a memorandum seeking comments on the VEIC Request, and posed a series of questions regarding the timing of the VEIC Request.

On November 14, 2014, VEIC and the Department of Public Service ("DPS" or "Department") each filed comments in response to the Board's memorandum.

No other comments have been received.

III. THE VEIC REQUEST

Pursuant to Section III, paragraph 7 of VEIC's Order of Appointment:

VEIC must notify the Board and [Department of Public Service ("DPS")] of any transfer of funds among eligible NRA budget categories. VEIC must request

1. VEIC serves as Efficiency Vermont, which provides energy efficiency services throughout the state, except for the City of Burlington Electric Department's service territory, under an order of appointment issued by the Board on December 20, 2012, in Docket No. 7466.

approval from the Board to transfer funds among eligible NRA budget categories, unless (1) the amount of the transfer is less than \$10,000, or (2) the amount transferred is less than 50% of the amount allocated to the category from which it is transferred and less than \$50,000. Nothing in this provision prevents any party from requesting that the Board examine such transfers. The Board may approve transfers after such process as the Board may require.

VEIC states that it expects the NRA spending for the 2012-2014 performance period to be at or around the overall Board-approved budget level of \$11,894,100. However, VEIC expects that three of the NRA categories will be over budget, and the remaining four will be under budget relative to the current Board-approved budgets. Accordingly, VEIC requests that the Board approve a reallocation among the NRA budget categories in order to balance the budget in each budget category.

VEIC's proposed NRA budget reallocation is reflected in the following table:

Category	Original 2012-2014 Budget	Proposed Reallocations	Proposed 2012-2014 Budget	Transfer Amount	Transfer to/from Category
Education and Training	\$2,462,100	(\$275,300)	\$2,186,800	(\$275,300)	to Policy and Public Affairs
Applied Research & Development	\$1,311,500	(\$130,400)	\$1,181,100	(\$130,400)	to Policy and Public Affairs
Planning and Reporting	\$1,333,200	\$165,800	\$1,499,000	\$165,800	from Evaluation
Evaluation	\$2,461,400	(\$330,900)	\$2,130,500	(\$165,800)	to Planning and Reporting
				(\$160,600)	to Policy and Public Affairs
				(\$4,500)	to General Administration
Policy and Public Affairs	\$1,047,800	\$566,300	\$1,614,100	\$275,300	from Education and Training
				\$130,400	from Applied Research &

					Development
				\$160,600	from Evaluation
Information Technology	\$2,522,700	(\$15,000)	\$2,507,700	(\$15,000)	to General Administration
General Administration	\$755,400	\$19,500	\$774,900	\$15,000	from Information Technology
				\$4,500	from Evaluation
TOTAL	\$11,894,100		\$11,894,100		

VEIC provides the following explanations for over- and under-spending for each NRA category:

In Education and Training, VEIC's costs were lower than expected due in part to under-spending in Codes and Standards Support, as a result of an extension of a 2011 ARRA Energy Code Outreach and Education grant, which allowed outreach and education to continue into 2012. In addition, Customer Support was below original budgets due to: (1) a new phone system; (2) staff charging more time than anticipated to program implementation; and (3) the success of historical coordination with utility counterparts.

Applied Research and Development experienced lower spending in 2012 due to the time it took to ramp up efforts. Smart Grid and advanced metering infrastructure ("AMI") activities have been behind due to the data transfer delay from distribution utilities to the VEIC-hosted data warehouse.

Planning and Reporting spending was higher than budgeted due to the Demand Resources Plan Proceeding expenditures being greater than anticipated.

Evaluation spending was lower in 2012 and 2013 due to lighter workloads for the Technical Reference Manual and Technical Advisory Group initiatives. In addition, cost-sharing mechanisms enabled VEIC to allocate expenses for shared work products with VEIC's other energy efficiency utility operations in the District of Columbia and Ohio.

Policy and Public Affairs spending was over budget due to unanticipated Regulatory Affairs activity, including participation in Board investigations such as the Bridge Funding

investigation, implementation of Act 89, Docket 7676, and Docket 8316. VEIC represents that its Regulatory Affairs department is experiencing an increased scope of work in response to: (1) the number of regulatory proceedings; (2) the increased complexity of those proceedings; and (3) additional requirements resulting from the transition from being a Contractor to a regulated EEU. VEIC states that its Public Affairs spending was also over budget due to a higher level of engagement with the public and policymakers than was anticipated. VEIC contends that this higher activity level was driven by requests from the media, the public, and policymakers, as well as the creation of the Efficiency Vermont blog.

The DPS supports the VEIC Request, and observes that VEIC could have requested approval of the transfers earlier than it did. The DPS maintains that the VEIC Request is permissible pursuant to Section III, paragraphs 7 and 8, of VEIC's Order of Appointment. Further, the DPS contends that the magnitude of the budget variances and the justifications therefor are reasonable in light of the fact that the NRA budgets were established as part of the inaugural DRP, in which budget category estimates were developed in the spring and summer of 2011.

IV. THE BOARD'S QUESTIONS

1. *Should VEIC be required to file a request to transfer prior to seeking reimbursement from the Fiscal Agent of any costs or expenses associated with a proposed transfer?*

The DPS contends that the ideal situation would be for VEIC to request a transfer prior to seeking reimbursement in order to ensure that funds are correctly accounted for when the Fiscal Agent is asked to pay an invoice. The DPS states that it may be useful to investigate such a requirement in order to ensure that such a process is administratively efficient and meets the needs of all interested parties.

VEIC observes that the Order of Appointment is silent as to the timing and procedures to be followed when VEIC must request a transfer of funds among eligible NRA categories. VEIC acknowledges that it assumes the financial risks associated with the timing of any such requests. However, VEIC states that requiring advance notification would be administratively inefficient, has the potential to increase ratepayer costs, encourages overstatement of NRA funding needs in

order to avoid requests for reallocation, and could impede delivery of EEU services.

Accordingly, VEIC does not believe that EEUs should be required to file requests for the transfer of funds among NRA budget categories prior to seeking reimbursement from the Fiscal Agent of costs or expenses associated with such proposed transfers. VEIC contends that EEUs should be afforded flexibility to manage their regulatory compliance efforts.

2. Should the Board direct the Department of Public Service to not approve any invoices associated with costs and expenses outside of a Board-approved NRA budget until such time as the Board has approved a transfer of funds among eligible NRA budget categories?

The Department supports such a requirement, stating that it has no legal basis for not approving invoices for costs and expenses that exceed predetermined budgets, and that such a legal basis could expedite a reallocation request. The Department observes that this approach has the potential to increase ratepayer costs as ratepayers would incur any carrying costs associated with VEIC borrowing that are likely to be incurred by VEIC to cover costs during the interim.

VEIC does not support such a requirement, pointing to its responses to the first and third questions.

3. What purpose is served by an after-the-fact request for Board approval of a transfer of funds among eligible NRA budget categories?

The DPS contends that an after-the-fact request provides transparency to the process while documenting information that may be useful for establishing future NRA budgets and categories.

VEIC observes that an EEU seeking to mitigate regulatory risks may seek approval for transfers at any time. VEIC states that an EEU that seeks reimbursement of expenses that are the subject of a budget transfer request accepts such reimbursement with the understanding that the reimbursement is tendered subject to reconciliation at the time of subsequent invoice processing, or as part of the determination of any outstanding performance compensation.

VEIC further questions whether the current NRA budget reallocation process "achieves the intended policy objectives of promoting the efficient and effective operation of the EEU and

does not create administrative inefficiencies, additional costs, and unreasonable financial risk for the EEU when compared with other regulated entities' cost reimbursement treatment for similar activities." VEIC states that the subjects of alternative NRA structures and budget reallocation processes would be appropriate for a workshop or further investigation subsequent to review of the current request.

V. DISCUSSION AND CONCLUSION

We have considered the VEIC Request and the Department's comments thereon. Based on the absence of opposition to the VEIC Request, and the specific circumstances present in this proceeding related to the establishment of NRA budgets, we approve the VEIC Request. VEIC's NRA budgets for the 2012-2014 performance period shall be reallocated as proposed by VEIC.

With respect to the issue of the timing of the VEIC Request, VEIC is correct that the Order of Appointment currently does not specify the timing or procedures to be followed when requesting a transfer of funds among eligible NRA categories. Therefore, we will take no further action regarding the timing of the VEIC Request. However, the VEIC and DPS filings in this proceeding raise questions regarding whether it would be in the public good to modify the current requirements related to transferring funds among eligible NRA categories. Any such modifications to these requirements would thus apply to future requests to transfer funds. Accordingly, by separate order we will open a proceeding to investigate the potential consequences and benefits of amending the current requirements, as established in VEIC's Order of Appointment, and any amendments to the Order of Appointment that may be appropriate.

SO ORDERED.

Dated at Montpelier, Vermont, this 8th day of January, 2015.

<u>s/ James Volz</u>	)	
	)	
	)	PUBLIC SERVICE
<u>s/ John D. Burke</u>	)	
	)	BOARD
	)	
	)	OF VERMONT
<u>s/ Margaret Cheney</u>	)	

OFFICE OF THE CLERK

FILED: January 8, 2015

ATTEST: s/ Susan M. Hudson
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)

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