STATE OF VERMONT
PUBLIC SERVICE BOARD

EEU-2010-06

In re: EEU Demand Resources Plan)

Order entered: 7/2/2012

ORDER RE: REVISION TO HEATING-AND-PROCESS-FUELS BUDGETS

In today's Order we establish estimated heating-and-process-fuel ("HPF") efficiency budgets for Vermont Energy Investment Corporation ("VEIC") and the City of Burlington Electric Department ("BED") for the years 2012-2014. We also establish estimated budgets for each entity for the years 2015-2021 for planning purposes. Finally, we establish 2012-2014 budgets for non-resource acquisition categories.

I. BACKGROUND

In 2009, the Board initiated the Demand Resources Plan ("DRP") proceeding to identify short- and long-term energy efficiency budgets and savings goals. With respect to the HPF program, the DRP includes three-year budgets to be used to set savings goals and performance indicators, and ten-year budgets that are established for planning purposes.

Pursuant to 30 V.S.A. §§ 209(d)(7), 209(d)(8), and 255(d), revenues from the ISO New England's ("ISO-NE") Forward Capacity Market ("FCM")[1] and Regional Greenhouse Gas Initiative ("RGGI")[2] auctions are used to provide heating-and-process-fuel-efficiency services.

---

1. ISO-NE is the regional transmission organization for New England. The Forward Capacity Market is a market-based structure designed to ensure that there are sufficient resources to serve New England's peak load. The FCM utilizes an auction structure through which capacity resources compete to obtain a market-priced capacity payment, in exchange for a commitment to be available in future years to meet the region's electricity needs. Energy efficiency is eligible to bid into the FCM.

2. The Regional Greenhouse Gas Initiative is a cooperative effort by Northeastern and Mid-Atlantic states (Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island and Vermont) to reduce carbon dioxide emissions through the implementation of a multi-state cap-and-trade program with a market-based emissions trading system involving a regional auction platform to sell carbon dioxide

(continued...)

Since the RGGI and FCM auction proceeds can vary significantly from auction to auction, any HPF budget will necessarily involve significant uncertainty, and the further out in time that the budget is predicted, the greater the uncertainty. In addition, both RGGI and the FCM are administered by regional groups. Accordingly, policy changes that happen at the regional level, and over which Vermont has limited control, can impact the proceeds from these two sources. For these reasons, any HPF budget level established by the Board must, of necessity, be an estimate.

On December 28, 2011, the Vermont Public Service Board ("Board") issued an Order approving the general framework of the heating-and-process-fuel efficiency budgets proposed by BED and VEIC. The Board required BED and VEIC to file updated HPF budgets and breakdowns of non-resource acquisition budgets by category.

On February 15, 2012, and April 3, 2012, respectively, VEIC and BED filed the required information. No party filed comments on the updated budgets.

II. Vermont Energy Investment Corporation HPF Budgets

VEIC's HPF budgets are broken down into three categories: resource acquisition, which are used to obtain MMBTU savings; non-resource acquisition, which are used to perform activities that are necessary for the administration of VEIC's programs but that do not result in resource savings; and an operations fee and maximum performance incentive payment determined through the application of quantifiable performance indicators ("QPI"). These three categories are further represented as both three-year budget levels, which are used to set QPIs, and ten-year budget levels, which are used for longer-term planning purposes. Finally, the non-resource acquisition budget category is further broken down into specific categories.

VEIC's Order of Appointment limits compensation during the three-year performance period to the total budgets set forth below and also provides that:

> VEIC shall not exceed three-year spending limits as defined in the DRP for RA or NRA activities, or for any other categories that may be designated by the Board

2. (...continued)
allowances.

> (such as individual eligible NRA budget categories) without approval from the Board . . . . [3]

Given the uncertainty associated with the estimated HPF budget amounts, it is important that there be a mechanism for modifying these budgets. With respect to resource acquisition activities, the primary concern is whether the quantitative performance indicators ("QPIs") must be modified to reflect changes in budget levels. VEIC has proposed a process for revising quantitative performance indicators and this process is addressed in our Order approving QPIs. However, there is a separate mechanism for adjusting non-resource acquisition budgets. The Process and Administration document, approved in Docket 7466, states that, if reconsideration of the three-year NRA budgets is necessary, "the Board may, after such process as may be required by the Board, modify the Non-Resource-Acquisition budget and therefore the overall budget . . . ."[4]

We conclude that VEIC has provided a reasonable estimate of the HPF budgets, given the uncertainty associated with the HPF budget sources. Accordingly, we approve the estimated 2012-2014 HPF budgets set forth below; however, we also require VEIC to submit revised HPF budget estimates on a yearly basis to ensure that any significant deviation from the HPF budgets established in this Order are identified prior to the end of the performance period.

VEIC 2012-2014 Estimated HPF Budgets

	2012	**2013**	**2014**	**Total**
Resource Acquisition	$3,868,700	$3,377,200	$3,877,600	$11,123,500
Non-Resource Acquisition	$834,200	$629,643	$669,353	$2,133,196
Operations Fee and Maximum QPI	$195,834	$173,926	$196,998	$566,758

3. VEIC Order of Appointment at 10.

4. Process and Administration of an Energy Efficiency Utility Order of Appointment, approved December 10, 2010, (Docket 7466) at IV.5.C.

The ten-year HPF budgets are used for planning purposes. As stated above, there is uncertainty surrounding the HPF revenue sources; when using the budget numbers set forth below, VEIC should be mindful of that uncertainty.

We conclude that VEIC and the Department have provided reasonable budget estimates given the uncertainty associated with the HPF funding sources, and we approve the following ten-year estimated HPF budgets. We further require VEIC to submit yearly updates to these estimates to ensure that its planning process reflects likely changes to the HPF budgets.

VEIC Ten-Year Estimated HPF Budgets

	Resource Acquisition	**Non-Resource Acquisition**	**Operations Fee and QPI**	**Total**
2012	$3,868,700	$834,200	$195,834	$4,898,734
2013	$3,377,200	$629,643	$173,926	$4,180,769
2014	$3,877,600	$669,353	$196,998	$4,743,951
2015	$4,087,600	$734,177	$206,145	$5,027,922
2016	$3,763,300	$773,370	$193,957	$4,730,627
2017	$3,996,200	$799,351	$205,024	$5,000,575
2018	$4,556,900	$791,982	$228,678	$5,577,560
2019	$4,898,800	$833,963	$245,092	$5,977,855
2020	$5,245,600	$862,640	$261,145	$6,369,385
2021	$5,751,400	$854,468	$282,421	$6,888,289
Total	$43,423,300	$7,783,147	$2,189,220	$53,395,667

VEIC's Order of Appointment envisions the establishment of NRA budget categories. As a result of the DRP process, VEIC and the Department proposed seven categories, as set forth below. VEIC's February 15 filing sets forth budget levels for the 2012-2014 period for each of these categories. VEIC's Order of Appointment states:

> VEIC must notify the Board and DPS of any transfer of funds among eligible NRA budget categories. VEIC must request 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.[5]

We conclude that the NRA budgets proposed by VEIC are reasonable and we approve the NRA budgets as set forth below. We further require VEIC to submit yearly updates to these estimates.

VEIC HPF Non-Resource Acquisition Budgets by Category

Budget Categories	**2012-2014 dollar amount**
Education and Training	$308,418
Applied Research and Development	$65,073
Planning and Reporting	$390,440
Evaluation	$817,207
Policy and Public Affairs	$130,147
Information Technology	$313,965
Administrative (not program specific)	$107,945
Total	**$2,133,195**

III. City of Burlington Electric Department HPF Budgets

Although there are QPIs for BED, there are no performance incentive payments associated with these QPIs, and further, there is no operations fee for BED. Accordingly, BED's 2012-2014 estimated HPF budget is only separated into resource acquisition and non-resource acquisition budgets.

Similar to VEIC, BED's Order of Appointment requires that:

> BED shall not exceed three-year spending limits as defined in the DRP for RA or NRA activities, or for any other categories that may be designated by the Board

---

5. VEIC Order of Appointment at 10-11.

> (such as individual eligible NRA budget categories) without approval from the Board . . . .[6]

We conclude that BED has provided a reasonable estimate of the HPF budgets, given the uncertainty associated with the HPF budget sources. With respect to resource acquisition activities, the primary concern is whether the quantitative performance indicators ("QPIs") must be modified to reflect changes in budget levels; our Order regarding QPIs requires BED to submit a process for revising QPIs. We approve the estimated 2012-2014 HPF budgets set forth below; however, we also require BED to submit revised HPF budget estimates on a yearly basis to ensure that any significant deviation from the HPF budgets established in this Order are identified prior to the end of the performance period.

BED 2012-2014 Estimated HPF Budgets

	2012	**2013**	**2014**	**Total**
Resource Acquisition	$93,218	$219,004	$231,182	$543,404
Non-Resource Acquisition	$184,050	$9,200	$9,200	$202,450

The non-resource acquisition budgets proposed by BED include a significant dollar amount for Property Assessed Clean Energy ("PACE")[7] activities in 2012. The Board's December 28 Order allowed BED to use a portion of its available 2012 HPF budget for non-resource acquisition activities related to capitalizing PACE projects in Burlington.[8]

The ten-year HPF budgets are used for planning purposes. As stated above, there is uncertainty surrounding the HPF revenue sources, when using the budget numbers set forth below, BED should be mindful of that uncertainty.

6. BED Order of Appointment at 8.

7. PACE is a mechanism for funding clean-energy-related improvements to a property whereby the municipality provides a loan to residential or commercial customers to conduct the improvements, with the loans repaid through an assessment on the property tax bill.

8. *See,* EEU-2010-06, Order re: HPF Budgets, 12/28/11 at 8-9, 11-12.

We conclude that the proposed ten-year estimated HPF budgets are reasonable given the uncertainty and approve the following ten-year estimated HPF budgets. We further require BED to submit yearly updates to these estimates to ensure that its planning process reflects likely changes to the HPF budgets.

BED Ten-Year Estimated HPF Budgets

	Resource Acquisition	**Non-Resource Acquisition**	**Total**
2012	$93,218	$184,050	$277,268
2013	$219,004	$9,200	$228,204
2014	$231,182	$9,200	$240,382
2015	$243,680	$9,200	$252,880
2016	$211,164	$9,200	$220,364
2017	$201,718	$9,200	$210,918
2018	$229,646	$9,200	$238,846
2019	$252,393	$9,200	$261,593
2020	$280,202	$9,200	$289,402
2021	$313,386	$9,200	$322,586
Total	**$2,275,593**	**$266,850**	**$2,542,443**

BED's Order of Appointment states:

> BED must request 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.[9]

9. BED Order of Appointment at 9.

We conclude that the NRA budgets proposed are reasonable and approve the non-resource acquisition budgets set forth below. We further require BED to submit yearly updates to these estimates.

BED HPF Non-Resource Acquisition Budgets by Category

Budget Categories	**2012-2014 dollar amount**
Education and Training	$6,000
Applied Research and Development	$1,500
Planning and Reporting	$3,850
Evaluation	$5,350
Policy and Public Affairs	$1,800
Information Technology	$5,350
Administrative (not program specific)	$3,600
PACE Pilot Program	$175,000
Total	**$202,450**

SO ORDERED.

Dated at Montpelier, Vermont, this __2nd__ day of __July______, 2012.

s/ James Volz	)	
	)	PUBLIC SERVICE
	)	
s/ David C. Coen	)	BOARD
	)	
	)	OF VERMONT
s/ John D. Burke	)	

OFFICE OF THE CLERK

FILED: July 2, 2012

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)