

State of Vermont
Department of Public Service
112 State Street
Montpelier, VT 05620-2601
<http://public.service.vermont.gov>

[phone] 802-828-2811
[fax] 802-828-2342
[td] 800-734-8390

This document was electronically filed using ePUC

April 5, 2019

Ms. Judith Whitney, Clerk
Vermont Public Utility Commission
112 State Street, Floor 4
Montpelier, Vermont 05620

Docket 18-3810-INV

Re: Department of Public Service Comment Following March 19, 2019 Stakeholder Meeting

Dear Ms. Whitney:

On January 29, 2019, the Public Utility Commission (“the Commission”) hosted a workshop in Docket 18-3810-INV, Investigation into Renewable Energy Standard (“RES”) rulemaking. Following that workshop, Commission staff issued a memo that outlined topics identified at the workshop for more in-depth stakeholder discussions. The Department facilitated additional stakeholder discussions and drafted recommendations on the identified topics for stakeholder review and comments. The Department received two comments on the proposed recommendations, which were related to the “Tier 3 Energy Transformation Definitions.” Because there is not general agreement on the definitions the Department recommends that the Commission solicit comments on the proposed definitions. The Department’s recommendations address the utilities’ Tier 3 Annual plans; the Technical Advisory Group and Tier 3 project transparency; and the Renewable Energy Standard data collection and compliance spreadsheet.

I. Utility Tier 3 Annual Plans

The Department recommended in its January 18, 2019 comments in Docket 18-3810-INV that the utilities’ Tier 3 annual plans be approved by the Commission. In the January 29, 2019 Commission workshop, questions were raised on what specifically would be approved in the Tier 3 plans. The Department recommends that Commission approval of the utilities’ Tier 3 annual plans would constitute a finding that the utility’s plan meets the statutory and Commission requirements for annual plans. This would not obligate utilities to meet the projected number of units, cost per measure, etc.

Summary table to be used for Tier 3 plans and reports:

The Department recommends that utilities utilize the summary table shown below in their annual plans and Tier 3 compliance reports, and that this be considered a form that is not included directly in the RES rule.

Measure ¹	Incentive ²	Administrative costs ³	Cost per measure ⁴	# of measures ⁵	Total Cost ⁶	Savings per measure (MWh) ⁷	Total Savings (MWh) ⁸	\$/MWh ⁹
ccHP								
ccHP (low-income)								

Explanation/clarification of each column is as follows:

- 1) Measure – As shown in the example, where there is a low-income specific measure or adder to a measure this should be listed separately.
- 2) Incentive – Both the direct cash/bill credit incentive and the non-cash equipment cost (such as for a “free” EV charger given to the customer) should be listed.
- 3) Administrative Costs – those costs that are associated with the measure should be shown here. If the specific measure administrative costs cannot be calculated, then a weighted average using the total MWh of overall administrative costs should be included. The Department will work with the utilities to define what should be included as “administrative costs.”
- 4) Cost per measure – sum of individual incentive amount and individual measure administrative costs.
- 5) # of measures – Number of measures either being projected to be completed/installed (in annual plans) or claimed (in Tier 3 compliance reports).
- 6) Total cost – of this measure (Cost per measure x Number of measures)
- 7) Savings per measure – MWh being projected (in annual plans) or claimed (in Tier 3 compliance reports). This includes modifiers such as the additional electrical use. If there is potential variance in energy savings for a particular measure the summary table in the plan can use a blended average. For example, cold-climate heat pumps have different savings based on the size of the heat pumps. Utilities can use a blended average of the savings for the summary table included in their annual plans and then report the actuals for what was installed in their compliance reports.
- 8) Total Savings – MWh being projected/claimed for all measures of this type (Savings per measure x number of measures)
- 9) \$/MWh – cost per MWh of each measure (Total Cost / Total Savings (MWh))

Tier 3 Energy Transformation Definitions:

For clarification purposes the Department recommends that the following definitions¹ be included in the RES rule.

Energy Transformation Measure: an installed piece of equipment or system; a strategy intended to affect consumer energy use behaviors; or modification of equipment, systems, or operations that reduces the amount of fossil fuel that would otherwise have been used. Examples include an individual cold-climate heat pump, heat pump water heater, or electric vehicle.

Energy Transformation Project: an undertaking that provides energy-related goods or services but does not include or consist of the generation of electricity and that results in a net reduction in fossil fuel consumption by the customers of a retail electricity provider and in the emission of greenhouse gases attributable to that consumption. Examples of energy transformation projects may include home weatherization or other thermal efficiency measures; air source or geothermal heat pumps; high efficiency heating systems; increased use of biofuels; biomass heating systems; support for transportation demand management strategies; support for electric vehicles or related infrastructure; and infrastructure for the storage of renewable energy on the electric grid. Projects can consist of one or multiple prescriptive measures (e.g. a distribution utility's electric vehicle project) or one or multiple custom measures, installed/completed at a single facility or site.

Energy Transformation Program: an activity, strategy, or course of action undertaken by a program implementer. Programs consist of a group of projects with similar measures, target markets, strategies, and/or goals.

Energy Transformation Portfolio: all programs administered by one organization, such as a utility.

Tier 3 administrative costs:

The Department plans to work with the utilities to develop a common definition for administrative costs to insure consistency across utilities and allow for comparisons between utilities and programs. As a first step the Department has requested information from all the utilities on what they currently include in their Tier 3 administrative costs. The Department will continue to work with the utilities to identify commonalities and differences in how they are accounting for administrative costs, and work towards a common definition that will be filed with the PUC by September 30, 2019. The Department recommends that the RES rule stipulate that a common definition for administrative costs will be developed and used by the utilities, but that the definition itself not be included in the rule. If a common definition cannot be developed, the Department

¹ These definitions are based on the definitions for “energy efficiency measure,” “project,” “program,” and “portfolio” in the 2012 *Energy Efficiency Program Impact Evaluation Guide* by SEE (State and Local Energy Efficiency) Action in section 2.1.3. The definition for “Energy Transformation Project” also includes definition language from 30 V.S.A. § 8002(28).

will file its recommendation to the Commission and other parties can file their proposals/comments.

Load growth estimates related to Tier 3 projects:

The Department recommends that the RES rule state that utilities' annual plans will include a discussion of the expected load growth from their Tier 3 offerings and the actions they will take to minimize these impacts to ensure they do not result in unnecessary transmission and distribution upgrades.²

The Department will facilitate working sessions this summer to discuss what specifically should be included in the Tier 3 annual plans regarding load growth and what could be created (through the Technical Advisory Group ("TAG") or working group discussions) to provide some consistency on the analysis between utilities. Topics to be addressed include the following:

- The potential for TAG to address some of the required information/assumptions to ensure consistency. Currently TAG does not address coincident peak. There is some monthly peak information related to ISO demand, but not Vermont demand.
- What elements should be addressed: Annual peak and seasonal (summer/winter) peak?
- Timeframe for forecast: short-term such as 3-5 years, or include longer-term such as 10 or 20 years?
- How difficult is it and how much value is there in conducting a more granular geographic review, rather than system-wide impact (with regards to patterns of growth, correlation with net metering installation, etc.)? Can/should utilities factor in consumer adoption beyond direct incentives?
- How should the forecasted number of units be converted into demand? Consider having agreed-upon basic assumptions as a starting point.
- What are available load control and load flexibility strategies?
- Discussion of best practices; cost effectiveness of different measures/best practices. Explore what the utilities are experiencing.

Consideration of non-electric measure alternatives when conducting cost-effectiveness analysis:

There is currently a requirement in 30 V.S.A. § 8005(a)(3)(C)(iii) that a project meet "the need for its goods or services at the lowest present value life cycle cost, including environmental and economic costs" and that there be an "analysis of alternatives that do not increase electricity consumption." Further, the RES implementation order specified that there should be a cost/benefit analysis at the program level which includes administrative and implementation costs.³ Additionally, the RES implementation order requires that the utilities include "a demonstration

² This is consistent with the Commission's June 28, 2016 order, which requires that annual plans describe the estimated electric impact of Tier 3 measures and the demand management best practices that will be incorporated.

³ Order Implementing the Renewable Energy Standard, at 23, *Investigation Re: Establishment of the Renewable Energy Standard Program*, Docket 8550 (Vt. P.S.B. June 28, 2016).

that it has analyzed alternatives that do not increase electricity consumption” in their annual plans.⁴ The Department does not recommend including anything more specific than these requirements in the rule.

The Department will facilitate a working session(s) this summer to discuss what could be included in the cost/benefit analysis, what to include for “consideration of alternatives,” and what could be created (through TAG or working group discussions) to provide some consistency on the analysis across utilities. Topics to be addressed include the following:

- What constitutes a reasonable number of alternatives to consider?
- What information should be made available to consumers so they can make the right choice in adopting/installing particular measures.
- Should a simplified analytic tool be developed to provide a customer with an estimate of savings from a specific measure along with a comparison of alternatives (e.g., advanced wood heating vs a heat pump, etc.). Perhaps develop a calculator that could give a comparison in terms of BTUs – and then point to some resources for the current market price of fuels.
- Should it be least cost to the customer or ratepayers? Customer vs. societal test?
- Whether there could be a description in the Technical Reference Manual (“TRM”) for how each prescriptive project meets these requirements.

II. Technical Advisory Group and Tier 3 Project Transparency

Stakeholders raised questions during the PUC workshop regarding whether the TAG and the selection of custom projects are completed in a transparent manner. Given that improvements to these processes in the Tier 3 context should be considered for application in the Energy Efficiency Utility context, the Department recommends that this issue be subject to broader discussion.

TAG role and transparency:

The Department recommends that the TAG meeting dates, times, minutes, and the TRM documents be posted on the Department website. The public/stakeholders would be welcome to attend meetings, and time will be included on the agenda for public input from non-voting members.

The Department will also post the process for getting a measure reviewed by the TAG on the Department website (a utility or the Department must sponsor the measure) so the public/stakeholders are aware of the process.

The Department recommends that policy-related questions be addressed in a different forum, such as a workshop or other meeting/discussions. The Department suggests semi-annual meetings (one before annual plans), to have policy-related discussions.

⁴ *Id.* at 25.

The Department does not recommend that anything further be included in the rules regarding TAG or the TRM.

Tier 3 custom project transparency:

The Department's understanding is that this issue is related to stakeholders wanting to be included in custom project considerations. However, there is nothing that prevents these stakeholders from having direct discussions with the utilities on how they might be able to partner on projects in the future. At the January 29, 2019 workshop, Renewable Energy Vermont ("REV") made comments regarding a desire for additional information on custom projects. The Department recommends that REV file with the Commission details on what information they recommend should be public. Utilities and other stakeholders should then be given an opportunity to comment on whether that information **could** be made public (or whether it is protected confidential information) as well as the potential benefits and issues regarding making that information public, including any cost.

Additionally, the Department's recommendations for additional transparency for the TAG, as discussed above, may address these concerns. Some measures that are installed in custom projects are discussed at TAG meetings, in an attempt to have consistency in how particular measures are dealt with and/or if there is a possibility they could become a prescriptive measure.

III. RES Data Collection and Compliance Spreadsheet

The Department is filing the template spreadsheet that has been previously distributed.⁵ The Department recommends this be a form that will be used with the utilities; it does not recommend that this be included in the RES rule. The Department received some comments from stakeholders that resulted in several clarifying edits and additions to the original template, but no substantive changes were recommended or made.

Sincerely,

/s/ Allison Bates Wannop
Special Counsel

cc: ePUC Service List

⁵ The filed spreadsheet is not macro-enabled. The macro-enabled spreadsheet will be emailed.