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September 23, 2020

Judith Whitney, PUC Clerk  
Vermont Public Utility Commission  
112 State Street  
Montpelier, VT 05620-2701

**RE: 20-2022-INV, Efficiency Vermont Response to the Department of Public Service Questions on Efficiency Vermont Proposed 2021 Energy Efficiency Rates**

Dear Mrs. Whitney:

On September 4, 2020, Efficiency Vermont filed a proposed alternative methodology for calculating 2021 Energy Efficiency Charge ("EEC") rates. On September 15 the Vermont Department of Public Service ("Department") put forth two questions regarding Efficiency Vermont's Calculation of the Efficiency Vermont Energy Efficiency Charge ("EEC") Rates for Calendar Year 2021. Pursuant to the Public Utility Commission ("Commission") scheduling order issued September 14, 2020 in above-referenced case. By this letter, Efficiency Vermont is providing responses to the Department's questions.

***Q1. Efficiency Vermont's proposal creates a cross subsidy, where the residential sector spending will be significantly lower than collections. Please explain why this is appropriate.***

Efficiency Vermont Response:

Given that there remains significant uncertainty in how the current economic conditions and COVID-19 pandemic will ultimately impact 2020 and 2021 collections for each individual customer class, Efficiency Vermont believes that the application of a flat rate increase across all customer classes would be the most equitable methodology for achieving the required collections in 2021. Efficiency Vermont acknowledges that rule 5.300 aligns rate year collections with utility sales by sector from two years prior, but aligning 2021 collections with 2019 sales is not reasonable due to the disparity of

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collections. The proposed 2021 residential rate is projected to generate \$24,355,161 in EEC collections, whereas 5.300 methodology would generate collections of \$21,210,344, a difference of \$3,144,817. Rates established in 5.300 allocate residential collections based on the proportion of residential-to-total electric sales in 2019, but also accounts for under/over collections from prior years. The commercial class experienced significantly lower sales in 2019 (compared to 2018), and it is again in 2020. When following 5.300 methodology, these declines create a heavier collections burden for this class. In a year when residential sales are increasing and commercial sales are decreasing, and it's likely that 2021 residential sales will remain at levels more consistent with 2020 than with 2019, it seems reasonable to bypass the 5.300 methodology in favor of the proposed alternative.

*Q2. As discussed at the Commission's status conference on September 11, 2020, there are many challenges associated with developing a reasonable load forecast.*

*a. Since the status conference has Efficiency Vermont compared its sales forecast to any other forecasts that take COVID-19 loads into consideration? If yes, what is the source of the sales forecasts that Efficiency Vermont has reviewed?*

Efficiency Vermont Response: The Efficiency Vermont forecast used in the September 4, 2020 filing was based on several elements:

- Trends derived from 2018 and 2019 distribution utility reported electric energy and peak demand sales by customer class;
- A comparison of the 2020 monthly EEC collections through June with the monthly allocation of the budgeted 2020 EEC collections;
- An estimate of previously excluded gross consumption for net metered customers for the second half of 2021 derived from data provided by and conversations with electric distribution utility staff;
- A July 31, 2020 report authored by Breanna Parker of Kavet, Rockler & Associates titled *Tracking the Re-Opening of the Vermont Economy*,

- A June 8, 2020 presentation to the VSPC Forecasting Subcommittee by Eric Fox, Oleg Moskatov, and Mike Russo of Itron, Inc. titled *2020 Long-Term System Load Forecast Year*,
- Since the September 4, 2020 filing, Efficiency Vermont has reviewed EEC collection data for July and, year-to-date, collections are down 3.0% or \$850,000 from budgeted values. However, May, June and July collections are slightly above budget at 0.4%, 2.6%, and 1.6% respectively. Commercial collections continue to lag behind the expected 2020 values. Through July, commercial collections are 11.6% or \$1,297,000 below expected values. For the May-July period, commercial collections are down by 10.8% or \$534,000, but in this same three-month period have been offset by residential collections which are up 12.7% or \$711,300. It is suspected that the higher residential collections may be in part due to warmer than normal temperatures. The trends in the residential sector are not expected to persist at these levels.

*b. Based upon the review of any alternative sales forecasts Efficiency Vermont reviewed, does Efficiency Vermont recommend any changes to the sales forecast it proposed in its alternative methodology? If yes, please provide a summary of the recommended changes as well as a summary of the revised EEC rate changes (including with any sensitivities that may have been modeled, see follow-up question 3).*

Efficiency Vermont Response:

No changes are recommended to the sales forecast Efficiency Vermont has proposed.

There remains significant uncertainty in how the current economic conditions and COVID-19 pandemic will ultimately impact 2020 and 2021 collections for each individual customer class. Efficiency Vermont has presented what it believes is a reasonable proposal given the information it has available to date.

*Q3. Has Efficiency Vermont run any sensitivities on its revenue forecast or any alternative revenue forecasts it may have identified in question 2.b? If yes, please provide a summary the results and the associated back-up files.*

*a. If all rates were held flat (i.e. no 1.63% increase), how much revenue would be forecasted to be under-collected under Efficiency Vermont's sales forecast?*

Efficiency Vermont Response:

In response to the question raised at the September 11, 2020 status conference, Efficiency Vermont ran a sensitivity analysis to illustrate how changes to customer sector sales could impact rates. There are many different alternative scenarios that could be performed in a sensitivity analysis, but Efficiency Vermont's analysis builds off the proposed 2021 sales forecast by modifying the forecasted sales assumptions in each sector independently, and two scenarios that modify all three sector assumptions simultaneously. Alternative scenario Options #2 through #5 are based on increasing electric sales and EEC collections, which have the effect of a lower rate increase. Option #6 reduces the forecast, which requires a higher rate increase than proposed. The results are provided in the table below by presenting the rate impacts for each Option, if applied equally, to all rate classes.

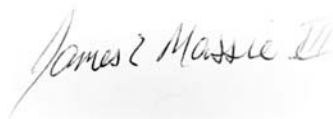
Sector	Proposed	Option 2	Option 3	Option 4	Option 5	Option 6
Residential	0.0%	2.0%	0.0%	0.0%	2.0%	-1.0%
Commercial	-7.7%	-7.7%	-5.0%	-7.7%	-5.0%	-8.7%
Industrial	-3.5%	-3.5%	-3.5%	0.0%	0.0%	-4.5%
Flat Rate Change	1.62%	0.59%	0.84%	1.32%	-0.45%	2.51%

The backup data is provided in the Excel file named: "2020-09-23\_2021 Efficiency Vermont EEC Calculation\_w\_sensitivity.xlsx" which has been filed in ePUC in Case No. 20-2022-INV.

Efficiency Vermont Response 3.a:

If 2020 rates were applied to the projected energy consumption at the proposed sales forecast, the collections are estimated to be \$46,408,158. This would leave the fund \$750,000 under-funded in 2021, this amount would need to be added to the 2022 EEC rate calculation.

Sincerely,



James E Massie III

Budget and Reporting Director

