



Electronically filed via ePUC

October 1, 2020

Judith Whitney, Clerk
Vermont Public Utility Commission
112 Main Street
Drawer 20
Montpelier, VT 05620-2701

Re: Case No. 20-2022-INV, Setting the 2021 Energy Efficiency Charge Rates

Dear Ms. Whitney:

Vermont Gas Systems, Inc. (“VGS” or “Company”) hereby submits this letter and the attached spreadsheet to provide the information necessary to calculate the energy efficiency charge (“EEC”) for 2021 pursuant to Commission Rule 5.300.¹ As contained in Rule 5.300, the 2021 EEC is proposed to be effective with bills rendered on and after February 1, 2021.

VGS recognizes that there are several matters pending that will impact the 2021 EEC. First, VGS’s energy efficiency budget has not yet been approved for 2021. In light of that contingency, VGS has calculated two alternate versions of the 2021 EEC using (1) the Company’s proposed 2021 efficiency budget and (2) the Department of Public Service’s (“Department’s”) proposal. These two calculations are reflected in the tables provided below.

Second, VGS’s proposed financing mechanism in its DRP, whose objective is to smooth the rate impact associated with an aggressive expansion of VGS’s efficiency programs, has also not yet been approved by the Commission. VGS’s financing proposal in Case No. 19-3272-PET² assumes that efficiency budget amounts in excess of the amount that would be collected at current EEC levels will be financed and amortized over 15 years. In addition to uncertainty regarding the weighted cost of capital to be utilized in the calculation, there is also uncertainty regarding the timing of financing. For example, should the EEC generate sufficient revenue to fund the efficiency programs through June, then only 6 months of carrying costs would be necessary. Conversely, if the programs get off to a slower start and the EEC generates sufficient revenue to fund the programs through September, only 3 months of carrying costs would be necessary. To address this uncertainty, VGS has proposed in its calculations below that carrying

¹ Case 17-4697-INV Rule 5.300 PUC amended on 8/26/2019

² Case 19-3272-PET Petition to open DRP proceedings for 2021-2023

costs not be recovered on the unamortized balances in 2021. Instead, VGS proposes recovering carrying costs on 2021 balances with its 2022 EEC calculation.

VGS also included in both calculations of the proposed EEC rates the Commission-approved reallocation of unspent 2015-2017 Energy Efficiency Funds³ in the amount of \$177,840 as a return to the ratepayer in the form of an offset to EEC 2021 rates.

The tables below provide the EEC charge calculations under both VGS's and the Department's efficiency budget proposals for 2021.

Table 1: EEC 2021 Rates - Based on VGS DRP Proposal using financing mechanism

Attachment: VGS Current and Proposed 2021 EEC rates (Using VGS DRP Proposal)							VGS Proposal	
	Forecasted 2021 Mcf	Current GEEC Rates	Projected GEEC Revenues at Current Rates	Class Share GEEC Revenues at Current Rates	GEEC To Be Billed by Rate Class	Proposed GEEC Rates per Mcf	Proposed GEEC Rates per Ccf	Percent Change GEEC
Residential	3,814,078	0.0480	\$1,830,758	52.4%	\$1,899,416	0.4980	0.0498	3.7%
Low Income	189,267	0.0384	\$72,678	2.08%	\$75,404	0.3984	0.0398	3.7%
G1 Class	625,765	0.0454	\$284,097	8.1%	\$294,752	0.4710	0.0471	3.7%
G2 Class	202,541	0.0352	\$71,294	2.0%	\$73,968	0.3652	0.0365	3.8%
G3 Class	732,801	0.0354	\$259,412	7.4%	\$269,140	0.3673	0.0367	3.8%
G4 Class	1,545,171	0.0273	\$421,832	12.1%	\$437,651	0.2832	0.0283	3.7%
Interruptible	2,811,895	0.0197	\$553,943	16%	\$574,718	0.2044	0.0204	3.8%
Totals	9,921,518	0.0352	\$3,494,014	100.0%	\$3,625,049	0.3654	0.0365	3.7%

VGS Proposed Budget 2021	\$ 4,947,099	VGS Modified Rebuttal proposal with TEPF update from Hearing Attachment A
Give back per Case 20-2241	\$ (177,840)	
Under Collections	\$ 3,626	
CY2021 Funding requirements	\$ 4,772,886	
VGS Proposed Collections 2021	\$ 3,494,014	
Difference to be Financed	\$ 1,278,871	
VGS EEU Natural Gas EEC FUND Collections 2021	\$ 3,494,014	
Amorization of Difference to be Financed	\$ 85,258	AMORTIZATION OF PRINCIPAL ONLY
Amount to be collected in EEC	\$3,579,272	
Adjusted for GRT and Weatherization	\$3,625,049	

³ Case 20-2241-PET Petition of the PSD to open a proceeding in determination of reallocation of unspent 2015-2017 EEU funds order approved 9/24/2020

Table 2: EEC 2021 Rates - Based on DPS DRP Proposal using financing mechanism

Attachment: VGS Current and Proposed 2021 EEC rates (Using VGS DPS Proposal)							DPS Proposal	
	Forecasted 2021 Mcf	Current GEEC Rates	Projected GEEC Revenues at Current Rates	Class Share GEEC Revenues at Current Rates	GEEC To Be Billed by Rate Class	Proposed GEEC Rates per Mcf	Proposed GEEC Rates per Ccf	Percent Change GEEC
Residential	3,814,078	0.0480	\$1,830,758	52.4%	\$1,886,900	0.4947	0.0495	3.1%
Low Income	189,267	0.0384	\$72,678	2.08%	\$74,907	0.3958	0.0396	3.1%
G1 Class	625,765	0.0454	\$284,097	8.1%	\$292,810	0.4679	0.0468	3.1%
G2 Class	202,541	0.0352	\$71,294	2.0%	\$73,481	0.3628	0.0363	3.1%
G3 Class	732,801	0.0354	\$259,412	7.4%	\$267,367	0.3649	0.0365	3.1%
G4 Class	1,545,171	0.0273	\$421,832	12.1%	\$434,768	0.2814	0.0281	3.1%
Interruptible	2,811,895	0.0197	\$553,943	16%	\$570,931	0.2030	0.0203	3.0%
Totals	9,921,518	0.0352	\$3,494,014	100.0%	\$3,601,163	0.3630	0.0363	3.1%

PSD Proposed Budget 2021	\$ 4,593,333	PSD Proposed DRP Budget All-In
Give back per Case 20-2241	\$ (177,840)	
Under Collections	\$ 3,626	
CY2021 Funding requirements	\$ 4,419,119	
VGS Proposed Collections 2021	\$ 3,494,014	
Difference to be Financed	\$ 925,105	
VGS EEU Natural Gas EEC FUND Collections 2021	\$ 3,494,014	
Amorization of Difference to be Financed	\$ 61,674	AMORTIZATION OF PRINCIPAL ONLY
Amount to be collected in EEC	\$3,555,688	
Adjusted for GRT and Weatherization	\$3,601,163	

Pending regulatory approval, VGS will notify its customers of the proposed changes beginning with bills rendered on and after December 1, 2020. Should the Commission approve an alternate scenario in the current DRP proceedings specific to 2021 spending and collections along with any input modifications, VGS will resubmit this 2021 EEC rate proposal⁴.

Vermont Gas will continue its focus on helping customers reduce their energy usage, save money, and lessen their impact to the environment by investing in efficiency measures. As always, I am available to answer any questions you may have regarding this filing.

Sincerely,



Karen Horne
Energy Analyst

Attachment A: VGS Modified Rebuttal Budget with updated budget for TEPF from hearing
Attachment B: Accompanying Spreadsheet

Cc: Sean Foley, TJ Poor, Brian Cotterill, Keith Levenson, DPS

⁴ See the attached spreadsheet cell C17 (highlighted orange) in the worksheet titled "Proposed EEC Rates VGS". Changing cell C17 with alternate EEU proposed budgets will update the proposed EEC 2021 rates

Attachment A: VGS Modified Rebuttal Budget with updated budget for TEPF from hearing

Updated TEPF Clearing House proposed budgets based on PSD proposed budgets

Total EEU Natural Gas EEC funded budgets 2021-2023					% of total
Vermont Gas RA and DSS budgets	2021	2022	2023	Total	Total
Resource Acquisition					
Residential Retrofit	\$1,423,999	\$1,737,268	\$2,000,711	\$5,161,978	31.1%
Residential New Construction	\$361,651	\$412,957	\$388,972	\$1,163,579	7.0%
Residential Equipment Replacement	\$1,057,828	\$1,221,784	\$1,334,073	\$3,613,685	21.8%
Commercial Retrofit	\$779,021	\$838,212	\$902,060	\$2,519,293	15.2%
Commercial New Construction	\$467,412	\$502,927	\$541,236	\$1,511,576	9.1%
Commercial Equipment Replacement	\$311,608	\$335,285	\$360,824	\$1,007,717	6.1%
Subtotal RA VGS Funded	\$4,401,519	\$5,048,434	\$5,527,874	\$14,977,828	90.2%
Development & Support Services					
1. Education & Training	\$70,030	\$70,731	\$71,438	\$212,199	1.3%
2. Applied Research & Demonstration	\$10,621	\$10,727	\$10,834	\$32,182	0.2%
3. Planning and Reporting	\$56,787	\$57,355	\$57,928	\$172,070	1.0%
4. Evaluation	\$36,404	\$36,768	\$37,136	\$110,308	0.7%
5. Policy and Public Affairs	\$15,610	\$15,766	\$15,924	\$47,300	0.3%
6. Information Technology	\$36,880	\$37,249	\$37,621	\$111,750	0.7%
7. General Administration	\$33,668	\$34,005	\$34,345	\$102,017	0.6%
Subtotal DSS VGS Funded	\$260,000	\$262,600	\$265,226	\$787,827	4.7%
SubTotal VGS Funded	\$4,661,519	\$5,311,034	\$5,793,101	\$15,765,654	95%
DPS Evaluation	\$260,700	\$257,930	\$142,120	\$660,750	4.0%
TEPF Clearing House	\$14,880	\$0	\$14,880	\$29,760	0.2%
VGS DRP Potential Study	\$0	\$0	\$125,000	\$125,000	0.8%
Fiscal Agent	\$2,500	\$2,550	\$2,601	\$7,651	0.0%
Fiscal Agent Audit	\$7,500	\$7,650	\$7,803	\$22,953	0.1%
SubTotal Other EEU Costs	\$285,580	\$268,130	\$292,404	\$846,114	5%
Total Natural Gas EEC Funded	\$4,947,099	\$5,579,164	\$6,085,505	\$16,611,768	100%