

STATE OF VERMONT
PUBLIC SERVICE BOARD

EEU-2013-01

2013-2014 Demand Resources Plan)
Proceeding)

Order entered: 10/10/2016

**ORDER RE REVISED THERMAL-ENERGY-AND-PROCESS-FUELS BUDGETS
AND REVISED PERFORMANCE TARGETS FOR EFFICIENCY VERMONT**

I. INTRODUCTION

In this Order, the Vermont Public Service Board (“Board”) approves revised thermal energy and process fuels (“TEPF”) budgets for Efficiency Vermont for the 2015-2017 performance period. In addition, the Board approves a revised target for a TEPF quantifiable performance indicator (“QPI”) to be used by Efficiency Vermont. The QPI addresses annual incremental net MMBtu savings for the 2015-2017 performance period.

Appendix A to this Order contains the revised approved QPI target, as well as the unchanged QPI targets for Efficiency Vermont approved in an October 10, 2014, Order in this proceeding.¹

In addition, we are requesting supplemental information on the proposal to allocate TEPF funds to the Heat Saver Loan (“HSL”) Program.

II. BACKGROUND

Pursuant to 30 V.S.A. §§ 209(e)(1) and 255(d), revenues from ISO New England’s Forward Capacity Market (“FCM”) and the Regional Greenhouse Gas Initiative (“RGGI”) auctions are used to provide TEPF efficiency services.

1. *Order Determining Quantifiable Performance Indicator Targets for Efficiency Vermont and BED*, EEU-2013-01, Order of 10/10/14 (the “October 2014 Order”).

The Demand Resources Plan (“DRP”) process is used to determine estimated annual TEPF budgets for Efficiency Vermont and the City of Burlington Electric Department (“BED”). The DRP process is also used to determine the QPI targets for Efficiency Vermont and BED.

Pursuant to VEIC’s Order of Appointment,² performance compensation is to be paid based on the attainment of three-year QPI targets. The QPI targets include corresponding incentive amounts attached to each and the financial consequences for under-performance.

Pursuant to BED’s Order of Appointment,³ three-year QPI targets are determined for BED. There are no performance incentive payments associated with these QPI targets.

In a July 9, 2014, Order in this proceeding, the Board determined annual TEPF efficiency budgets for Efficiency Vermont and BED for the 2015-2017 performance period.⁴ In addition, because actual TEPF revenues are subject to change based on FCM and RGGI auctions, the July 2014 Order required VEIC to submit revised TEPF budget estimates on a yearly basis to ensure that any significant deviation from TEPF budget estimates and resulting savings goals established for the 2015-2017 performance period are identified prior to the end of the performance period.

Efficiency Vermont’s TEPF budgets were determined for three categories: (1) resource acquisition activities that are used to obtain MMBTU savings; (2) development and support service (“DSS”)⁵ activities that are necessary for the administration of Efficiency Vermont’s programs but that do not result in resource savings; and (3) an operations fee and maximum performance incentive payment.

BED’s TEPF budgets were determined for two categories: (1) resource acquisition; and (2) DSS.

In the October 2014 Order, the Board approved TEPF QPI targets for Efficiency Vermont addressing annual incremental net MMBtu savings, residential single family comprehensiveness, minimum level of spending in the residential sector, and minimum level of spending on low-

2. VEIC serves as Vermont's statewide Energy Efficiency Utility (“EEU”), known as Efficiency Vermont. See Order of Appointment issued by the Board on 2/12/16, in Docket 8455.

3. BED provides EEU services in its service territory, under an Order of Appointment issued by the Board on 4/19/11, in Docket 7466.

4. *Order RE: Energy Efficiency Utility Budgets For Demand Resources Plan*, EEU-2013-01, Order of 7/9/14 (the “July 2014 Order”).

5. The July 2014 Order referred to DSS activities as non-resource-acquisition activities.

income customers. In the October 2014 Order, the Board also approved TEPF QPI targets for BED addressing annual incremental net MMBtu savings, residential single family comprehensiveness, and minimum level of spending in the residential sector. The October 2014 Order also approved a process for making adjustments to TEPF QPI targets in the likely event that the available TEPF budget differs from the estimated budget.

III. PARTICIPANTS' RECOMMENDATIONS

On June 17, 2016, VEIC filed recommended changes to TEPF budgets and QPI targets approved by the Board for Efficiency Vermont for the 2015-2017 performance period. VEIC represents that the Vermont Department of Public Service ("Department") and BED support the recommendations made in the June 2016 filing. No comments were filed on the June 2016 filing.

TEPF Budgets

VEIC states that increases in RGGI and FCM revenues for the 2015-2017 period necessitate a revision of the TEPF budgets. VEIC proposes that the TEPF budget increase be applied to Efficiency Vermont's resource-acquisition budget and the applicable operations fee and performance award. Consistent with the July 2014 Order, VEIC proposes that the operations fee and performance award be a 4.5% set-aside, with 60% available for the performance payment and 40% available for an operations fee. VEIC proposes that the TEPF DSS budget for the 2015-2017 performance period remain as determined in the July 2014 Order.

VEIC proposes that the reserve fund held for property assessed clean energy ("PACE") loans be \$100,000 for the 2015-2017 performance period. VEIC maintains that this amount reflects historical loan activity. Pursuant to Section 209(e)(1)(A), FCM net revenues "that are not transferred to the State PACE Reserve Fund under 24 V.S.A. § 3270(c)" are deposited into the EEU Fund.

VEIC proposes that \$204,000 be allocated to the TEPF statewide information clearinghouse for the 2015-2017 performance period.⁶

VEIC proposes that the unspent balance of TEPF funds on December 31, 2015, approximately \$3.3 million, be allocated to Efficiency Vermont's TEPF program activities for the remaining 2015-2017 performance period. The unspent funds include approximately \$1.5 million of FCM and RGGI funds allocated to BED. VEIC states that both the Department and BED confirm that BED's FCM revenue in 2016 and 2017 will amply cover BED's TEPF activities planned for the remainder of the 2015-2017 performance period. Accordingly, BED's TEPF budget for the 2015-2017 performance period would remain at \$327,892, as determined in the July 2014 Order.

VEIC and the Department propose that \$200,000 of the TEPF funds be allocated to the Department's Heat Savers Loan ("HSL") Program for 2017. The HSL Program was started in 2014, using funds from other sources that included grants from the Department of Energy and the Clean Energy Development Fund. The HSL Program provides low-interest loans used in the financing of weatherization projects. It has financed more than 157 projects, including 125 low- and moderate-income projects. Over half the projects participated in Efficiency Vermont's Home Performance with Energy Star program.

In total, VEIC proposes a 12% increase in the TEPF budgets for the 2015-2017 performance period which accounts for the increases in FCM and RGGI revenues, the unspent funds, and the adjustments for PACE, the TEPF clearinghouse, and the HSL Program. VEIC proposes the following revised TEPF budgets for the 2015-2017 performance period: (1) \$20,202,683 for resource acquisition; (2) \$1,725,648 for DSS; and (3) \$986,775 for an operations fee and performance award.

6. Pursuant to Section 209(g)(2), the Board has established the TEPF statewide information clearinghouse and a clearinghouse budget for the 2015-2017 performance period. *Order Re Allocation of TEPF Information Clearinghouse Costs*, EEU-2013-10, Order of 10/16/15 ("October 2015 Order").

TEPF QPI Targets

VEIC proposes a revised TEPF QPI target addressing incremental net MMBtu savings based upon the revised TEPF budget estimates. VEIC proposes to increase the existing QPI target of 246,000 MMBtu by 33,000 MMBtu, to 279,000 MMBtu. The proposed increase reflects the estimated 12% increase in TEPF funds available for the 2015-2017 performance period. All other TEPF QPI targets are percentage-based and do not require adjustment.

VEIC also proposes other changes to the electric and TEPF QPI tables that were approved in the October 2014 Order as Appendix A. VEIC maintains that the proposed changes are mostly editorial in nature to ensure consistent presentation of QPI targets. The proposed changes to the QPI tables also reflect the increased TEPF budgets and corresponding performance award amount. In addition, the proposed changes reflect the addition of a new minimum performance requirement related to DSS spending that was established by the Board after the October 2014 Order.⁷

IV. DISCUSSION AND CONCLUSION

TEPF Budgets

Pursuant to 30 V.S.A. §§ 209(e)(1) and 255(d), revenues from the FCM and RGGI auctions are used to provide TEPF services to unregulated-fuels customers. Because the RGGI and FCM auction proceeds can vary significantly from auction to auction, any TEPF 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 affect the proceeds from these two sources. Given the uncertainty associated with FCM and RGGI revenues, the July 2014 Order established a process to revise TEPF budget estimates during the 2015-2017 performance period.

VEIC proposes to increase the TEPF budgets for Efficiency Vermont approved in the July 2014 Order based on increases in RGGI and FCM revenues for the 2015-2017 period. In addition, VEIC proposes to allocate set-asides for PACE and the TEPF clearinghouse. We

7. *Order Re: Process to Amend EEU Orders of Appointment*, EEU-2015-01, Order of 12/17/15.

accept VEIC's proposal in this regard. The proposal is consistent with the requirements of Section 209(e)(1) and Section 209(g)(2), and consistent with the July 2014 and October 2014 Orders.

VEIC proposes, with BED's support, that the unspent balance of TEPF funds on December 31, 2015, which include funds allocated to both Efficiency Vermont and BED, be allocated to Efficiency Vermont's TEPF program activities for the remaining 2015-2017 performance period. We accept VEIC's proposal in this regard. The proposal is consistent with the requirements of Section 209(e)(1) that FCM and RGGI revenues be used to provide TEPF services to unregulated-fuels customers. In addition, the proposal recognizes the uncertainty associated with TEPF funding and the difficulties associated with BED's TEPF program. Pursuant to Section 209(e)(1), unregulated-fuels customers do not include customers of Vermont Gas Systems, Inc. BED's market for cost-effective projects is limited due to the high saturation of natural gas in its service territory. Accordingly, the unregulated TEPF potential for BED customers is limited.

The Department and VEIC propose that \$200,000 of the TEPF funds be allocated to the Department's HSL Program for 2017. We do not accept this proposal at this time. It appears that the Department and VEIC are requesting that EEU funds be used by the Department, rather than by an appointed entity, to implement energy efficiency services, specifically financing services. The Department and VEIC have not demonstrated why the proposal is consistent with the requirements under Section 209(d) and Section 209(e), including the requirements under Section 209(d)(2)(B) that the Board provide for "the coordinated development, implementation, and monitoring of cost-effective efficiency and conservation programs" to TEPF customers by "one or more entities appointed by the Board for this purpose." Before making a final determination on the HSL Program proposal, we request that the Department and VEIC file supplemental information addressing how the proposal is consistent with the requirements under Section 209(d) and Section 209(e).

Accordingly, we approve TEPF budgets for Efficiency Vermont for the 2015-2017 performance period as set forth in the table below. We note that the approved budgets do not include the \$200,000 of the TEPF funds that have been proposed to be allocated to the HSL

Program; therefore, the budgets may be changed based on our final determination on the HSL Program proposal.

Efficiency Vermont Estimated TEPF Budgets

	2015-2017 Amount
Resource Acquisition	\$20,202,683
Development and Support Services	\$1,725,648
Operations Fee and Performance Award	\$986,775
Total	\$22,915,106

TEPF QPI Targets

We conclude that the revised budget estimates for TEPF activities should result in an increase to the QPI target addressing incremental net MMBtu savings. The adjustment to this QPI target is consistent with the methodology for adjusting TEPF QPI targets that we approved in the October 2014 Order.

Therefore, we approve the proposed updated TEPF QPI target for Efficiency Vermont that addresses incremental net MMBtu savings, including 100% target levels, super-stretch targets, corresponding incentive amounts attached to that target (reflecting weighting), scaling calculations, and the financial consequences for under-performance. In addition, we accept the proposed changes to the QPI tables that reflect mostly editorial changes, that reflect the increased TEPF budgets and corresponding performance award amount, and that reflect the addition of a new minimum performance requirement related to DSS spending. (Appendix A to this Order sets forth the modified TEPF QPI target that we approve today, along with the electric and additional TEPF QPI targets approved in the October 2014 Order.)

V. ORDER

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED by the Public Service Board (“Board”) of the State of Vermont that:

1. The EEU program thermal energy and process fuels (“TEPF”) estimated budgets for the 2015-2017 performance period shall be: (1) \$20,202,683 for resource acquisition;

(2) \$1,725,648 for development and support services; and (3) \$986,775 for an operations fee and performance award.

2. The electric-efficiency quantifiable performance indicators (“QPIs”) for Efficiency Vermont for the 2015-2017 performance period, including corresponding incentive amounts attached to each (reflecting weighting), 100% target levels, super-stretch target levels, and scaling calculations, and the financial consequences for under-performance relative to QPIs shall be those shown in Appendix A to this Order.

3. The TEPF QPIs for Efficiency Vermont for the 2015-2017 performance period, including corresponding incentive amounts attached to each (reflecting weighting), 100% target levels, super-stretch target levels, and scaling calculations, and the financial consequences for under-performance relative to QPIs shall be those shown in Appendix A to this Order.

4. The Vermont Department of Public Service and Vermont Energy Investment Corporation shall file, by October 21, 2016, supplemental information addressing how the funding proposal for the Heat Saver Loan Program is consistent with the requirements under 30 V.S.A. §§ 209(d) and (e). Participants in this proceeding may file any comments on the funding proposal by October 28, 2016.

Dated at Montpelier, Vermont, this 10th day of October, 2016.

<u>s/James Volz</u>)	
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<u>s/Margaret Cheney</u>)	
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<u>s/Sarah Hofmann</u>)	

PUBLIC SERVICE
BOARD
OF VERMONT

OFFICE OF THE CLERK

FILED: October 10, 2016

ATTEST: s/Judith C. Whitney
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@vermont.gov)

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.