

STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 22-2954-PET

Petition of the Department of Public Service to open an EEU Demand Resource Plan proceeding for the 2024-2026 and 2027-2029 performance periods	Hearings at Montpelier, Vermont June 27, 2023
---	---

Order entered: 10/02/2023

ORDER APPROVING EVALUATION PLAN AND BUDGETS

I. INTRODUCTION

On July 27, 2022, the Vermont Department of Public Service (“Department”) filed a petition with the Vermont Public Utility Commission (“Commission”) to open a Demand Resources Plan proceeding pursuant to 30 V.S.A. §§ 209(d) and (e) to determine the budgets, savings goals, and performance metrics for Vermont’s electricity, natural gas, and thermal-energy-and-process-fuels energy efficiency utilities (“EEUs”).

A Demand Resources Plan (“DRP”) is a set of year-by-year budgets, savings goals, and performance goals for Vermont’s electricity, natural gas, and thermal-energy-and-process-fuels (“TEPF”) programs. The establishment of both short- and long-term EEU budgets and savings goals through a DRP allows the EEUs, Vermont utilities, and other market participants to incorporate efficiency savings into their planning and allows these entities to estimate the impacts of savings that will occur as a result of energy efficiency efforts that are funded by the energy efficiency charge (“EEC”). Vermont law requires EEU budgets funded by an EEC to be set at a level that will achieve “all reasonably available, cost-effective energy efficiency,” and describes specific objectives for the Commission to consider when setting EEU budgets.¹

The Department performs regulatory evaluation activities of the EEU programs administered by Efficiency Vermont, Vermont Gas Systems, Inc., and the City of Burlington Electric Department (“BED”). In today’s Order, we approve the Department’s proposed evaluation plan and budgets for the 2024-2026 performance period. The EEU evaluation plan and budgets are components of the 2024-2026 DRP proceeding.

¹ 30 V.S.A. §§ 209(d)(3)(B) and (f).

II. BACKGROUND AND PROCEDURAL HISTORY

On July 27, 2022, the Department filed a petition with the Commission to open this proceeding pursuant to 30 V.S.A. §§ 209(d) and (e) to establish DRPs for Vermont's three EEUs.

Section 209 of Title 30 requires that the Commission “[p]rovide for the independent evaluation of programs delivered” by an EEU. The Department fulfills this requirement through its evaluation activities.

To carry out the relevant statutory objectives, the Commission utilizes the procedures contained in the most recent Process and Administration of an Energy Efficiency Utility Order of Appointment document (“Process and Administration document”).² The Process and Administration document requires the Department to propose an evaluation plan and budgets for the evaluation of EEU programs as a part of the DRP. The evaluation plan outlines the Department's proposal to evaluate the EEUs and Vermont's efficiency markets.

This proceeding culminated in an evidentiary hearing on June 27, 2023. The testimony and exhibits presented in the jointly filed exhibit list regarding the Department's proposed EEU evaluation plan and evaluation budgets for the DRP proceeding were admitted at the hearing.³ The Department's witness for its evaluation plan and budgets is Barry Murphy. The only other witness who addressed the Department's evaluation activities is Vermont Gas witness Timothy Perrin.

III. EEU EVALUATION PLAN AND BUDGETS

The Department's 2024-2026 evaluation plan details core objectives of the evaluation process, including: (1) verifying the annual savings claims made by EEUs relative to performance goals established by the Commission; (2) providing evaluation activities necessary to allow the EEUs' continued participation in the ISO-NE Forward Capacity Market (“FCM”); (3) conducting market studies to assess current market conditions to establish baselines for

² The Process and Administration Document describes the overall EEU program structure under the Order of Appointment model. At the time the Commission initiated this proceeding, it had not yet approved the amended Process and Administration Document under consideration in Case No. 22-1647-PET and the process for this proceeding is dictated by the Process and Administration Document approved by the Commission in Case No. 18-2867-INV on November 26, 2019.

³ Exh. Joint-1.

programmatic savings estimates; (4) developing baselines and measure characterizations through participation in the Technical Advisory Group; and (5) providing program-specific evaluations, such as for Home Performance with Energy Star, Vermont Gas's home retrofit program, and Efficiency Vermont's behavioral programs.⁴

The evaluation plan includes evaluation, measurement, and verification of EEU activities undertaken by BED, Efficiency Vermont, and Vermont Gas. Additionally, the plan includes evaluation, measurement, and verification activities associated with the participation of Efficiency Vermont and BED in the FCM.⁵

Section II.3.A.(e) of the Process and Administration Document requires that the Department "delineate budgets for the evaluation of EEUs for three-, six-, and 20-year periods, as described in Section II.5.B." Section II.5.B. states:

Budgets for Department evaluations shall be funded by an EEC and other funds under the Commission's jurisdiction. This evaluation budgets shall be determined during DRP Proceedings. The Department will submit an Evaluation Plan for Commission review and approval on a three-year basis. An EEU shall cooperate in the identification and prioritization of information needs and the exchange of information with the Department to coordinate and facilitate strategic and multi-year program planning and budgeting. The Department shall file EEU evaluation outcome reports in ePUC.

The Department's proposed evaluation plan and budgets for the 2024-2026 performance period include activities funded by both the EEC and TEPF funds. The TEPF revenue projections are derived from estimates of the Regional Greenhouse Gas Initiative's ("RGGI") auction proceeds and from projected energy efficiency peak savings bid into the FCM. Most of the Department's evaluation activities are EEU-specific. For those activities, the Department assigns 100% of its costs to the EEU running the program. For the evaluation of programs offered by multiple EEUs, the Department splits the costs proportionally to each EEU. For electric EEC cost-share evaluation activities, the Department apportions costs based on share of statewide annual megawatt-hour sales. For evaluations funded by both EEC collections and TEPF revenues, the Department calculates the TEPF allocation of costs based on the ratio of the EEUs' EEC and TEPF resource-acquisition budgets. This results in a split of approximately

⁴ Murphy pf. (2/23/23) at 3-4.

⁵ The Department's FCM evaluation activities are conducted to meet the requirements of the ISO-NE Manual for Measurement and Verification of Demand Reduction. Murphy pf. (2/23/23) at 4.

85% EEC-funded and 15% TEPF-funded. The EEC-funded portion of these evaluation activities is allocated proportionally as above. The TEPF portion is allocated relative to the projected revenues from the Forward Capacity Market, resulting in 94% funded by Efficiency Vermont and 6% funded by BED. Vermont Gas-specific evaluation activities are 100% funded by the natural gas EEC. The Department's staff costs for evaluation are weighted relative to resource-acquisition budgets, resulting in 53% funded by Efficiency Vermont, 23% funded by BED, and 24% funded by Vermont Gas.⁶

The Department's proposed budgets for the 2024-2026 performance period are contained in Exhibits DPS-BC-1 (revised 6/2/23), DPS-BM-1 (revised 4/18/23), DPS-BM-5, DPS-BM-4, and DPS-BM-2. Although witness Barry Murphy states that exhibit DPS-BM-2 contains three-, six-, and 20-year evaluation budget projections, that exhibit only includes three-year budgets. Exhibit DPS-BM-3 includes estimated 10-year budgets for the Department's TEPF evaluation activities. The Department did not file projections of 20-year evaluation budgets. The tables that follow present a partial summary of the Department's proposed evaluation budgets.⁷

2024-2026 Performance Period Budgets

As summarized in the table below, for the 2024-2026 performance period, the Department proposes electric EEC-funded evaluation budgets of \$3,253,137, natural gas EEC-funded evaluation budgets of \$737,679, and TEPF-funded evaluation budgets of \$1,656,977.⁸ The Department provided assumptions and narratives to support its evaluation activities.

⁶ Murphy pf. (2/23/23) at 5-6.

⁷ The tables contain abbreviations for Efficiency Vermont ("EVT"), BED, and Vermont Gas ("VGS").

⁸ Exh. DPS-BM-1 (revised 4/18/23).

2024-2026 Period	Summary of Budgets			
Dept. Evaluation Category	2024	2025	2026	Total
<i>Ratepayer Funded through the Energy Efficiency Charge</i>				
Electric EEC EVT	\$401,667	\$1,204,987	\$1,290,195	\$2,896,849
Electric EEC BED	\$80,671	\$132,114	\$143,503	\$356,288
Natural Gas EEC VGS	\$195,711	\$250,080	\$291,887	\$737,678
Total Ratepayer Funding				\$3,990,815
<i>TEPF Funded through State Participation in ISO-NE FCM and RGGI Markets</i>				
Efficiency Vermont	\$622,949	\$167,531	\$233,461	\$1,023,941
BED	\$203,386	\$209,990	\$219,660	\$633,036
Total TEPF Funding				\$1,656,977

The Department's proposed electric efficiency evaluation budgets are approximately 2% of total electric resource-acquisition and development and support services budgets. According to several reports cited by the Department, a reasonable spending range for evaluation activities is 3-6% of annual portfolio budgets.⁹

The Efficiency Vermont-funded budgets represent an approximately 8.88% reduction relative to the 2021-2023 performance period. The EEC-funded portion increases by 6.23% as a result of inflation, increased staffing costs, and anticipated commercial and residential market assessment costs. The TEPF-funded portion decreases by 64.97% as a result of restructuring the Forward Capacity Market evaluation to take place once every three years.¹⁰

The Department's proposed budgets for evaluation of BED's efficiency programs are \$499,000 more than those in the 2021-2023 performance period. In addition to inflationary pressures, increased staffing costs, and anticipated commercial and residential market assessment costs, the Department represents that the EEC-funded portion of the BED evaluation budget is due to a change in the way that it allocates staff costs. This results in shifting approximately \$143,000 in staff costs from Efficiency Vermont to BED. The Department maintains that its new allocation better represents the amount of staff time spent on each EEU's evaluation activities and is a more equitable distribution of costs. The Department's proposed electric efficiency evaluation budgets for BED are approximately 4% of total electric resource-acquisition and development and support services budgets. The increase in TEPF-funded

⁹ Murphy pf. (2/23/23) at 7-8.

¹⁰ Murphy pf. (2/23/23) at 6-7.

evaluation activities is due to an assumed increase in on-site project review and metering requirements as well as a correction to reflect the different evaluation patterns between BED and Efficiency Vermont.¹¹

The Department's proposed natural gas efficiency evaluation budgets are approximately 11.64% more than in the 2021-2023 performance period. The Department represents that these cost increases are a result of inflation, increased staffing costs, and anticipated commercial and residential market assessment costs. The proposed evaluation budgets are approximately 3.98% of total natural gas resource-acquisition and development and support services budgets.¹²

Discussion

We find the Department's proposed evaluation plan to be a reasonable approach. The proposed EEU evaluation plan and budgets ensure that the appropriate rigor is brought to bear on EEU evaluation, measurement, and verification activities for the 2024-2026 performance period. Accordingly, the 2024-2026 EEU evaluation plan and associated total three-year budgets of \$5,647,794 are approved.

The Department notes that shared TEPF-funded evaluation activities are apportioned based on a simplifying assumption of the projected revenues from the Forward Capacity Market. The Department asserts that projected revenues from the FCM provide the bulk of TEPF revenue.¹³ However, we observe that, over time, the relative contributions to the TEPF-funded budget from the FCM and RGGI have changed. Based on the Department's most recent projections, it appears that net RGGI revenues for the 2024-2026 performance period will be \$15,165,000 and revenues from the FCM will be \$9,891,521.¹⁴ Therefore, before the next Demand Resources Plan proceeding, we request that the Department revisit its simplifying assumption and consider making cost-apportionment changes, as appropriate.

Section II.5.B of the Process and Administration document requires the Department's EEU evaluation reports to be filed in ePUC. We appreciate the Department's continued attention to filing the reports. Given the discussions concerning BED's TEPF-funded resource-acquisition

¹¹ Murphy pf. (3/23/23) at 6-8.

¹² Murphy pf. (3/16/23) at 5-6.

¹³ Murphy pf. (2/23/23) at 6.

¹⁴ Exh. DPS-BM-3.

budgets addressed in the BED DRP order, we are particularly interested in receiving relevant evaluation reports from the Department addressing BED's TEPF-funded resource-acquisition activities for residential and commercial customers.

The Department's evaluation plan includes conducting an energy efficiency potential study. The plan does not identify a budget, and notes that costs for the preparation of potential studies may be allocated directly to the distribution utilities and are recoverable using traditional cost-recovery mechanisms. Vermont Gas notes that it has no control over the budget or actual spending associated with the potential study. Vermont Gas recommends revisiting the allocation of each party's portion of the study and the timing necessary to deliver study results that can better inform the parties' DRP proposals. Vermont Gas maintains that adjustments are necessary to ensure that its ratepayers receive a fair benefit for the cost.¹⁵ Regarding the allocation of potential study costs, we encourage the parties to discuss the current methodology before the commencement of the next potential study and to reflect any agreed-upon changes in their filings in the next DRP proceeding. Regarding the timing of delivery, we note that Section II.1.A of the Process and Administration document states that "[t]he Department shall complete an assessment of the potential for demand-side resources every three years and shall file its completed potential study 18 months before the start of an EEU performance period." We agree with Vermont Gas that timely delivery of the completed potential study is important to ensure that the EEUs' initial DRP proposals are informed by the final deliverable.¹⁶ We request that the Department take all necessary steps with its potential study contractor(s) to achieve timely delivery of future potential study reports.

Traditionally the Department has filed 20-year budgets that are used for planning purposes. In this case the Department did not file 20-year budgets. We request that within 30 days of this Order the Department file 20-year budgets representing estimates of its future evaluation costs. Any comments on the Department's filing should be made within 15 days.

IV. CONCLUSION

In this Order, the Commission approves the Department's evaluation plan and budgets

¹⁵ Perrin pf. reb. (5/11/23) at 11-12.

¹⁶ In this case the final potential study was filed on January 30, 2023. In the last DRP case the final potential study was filed on December 6, 2019.

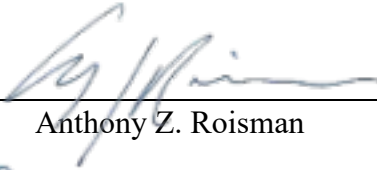
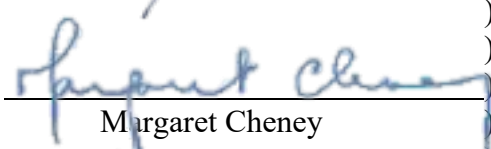
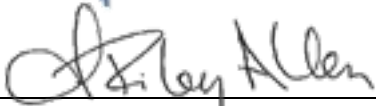
for the 2024-2026 performance period. We appreciate the Department's continued diligence in rigorously, objectively, and transparently evaluating the impacts of Vermont's energy efficiency investments.

V. ORDER

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED by the Vermont Public Utility Commission ("Commission") that:

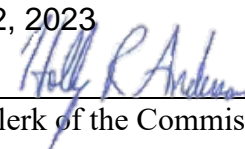
1. The Vermont Department of Public Service's Energy Efficiency Utility evaluation plan and budgets for the 2024-2026 performance period are approved.
2. We request that within 30 days of this Order the Department file 20-year budgets representing estimates of its future evaluation costs. Any comments on the Department's filing should be made within 15 days.

Dated at Montpelier, Vermont, this 2nd day of October, 2023.

 _____)) PUBLIC UTILITY)) COMMISSION) OF VERMONT
Anthony Z. Roisman)	
_____)	
 _____)) PUBLIC UTILITY) COMMISSION) OF VERMONT
Margaret Cheney)	
_____)	
 _____)) PUBLIC UTILITY) COMMISSION) OF VERMONT
J. Riley Allen)	

OFFICE OF THE CLERK

Filed: October 2, 2023

Attest: 

Clerk of the Commission

Notice to Readers: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Commission (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: puc.clerk@vermont.gov)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Commission within 30 days. Appeal will not stay the effect of this Order, absent further order by this Commission or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Commission within 28 days of the date of this decision and Order.

PUC Case No. 22-2954-PET - SERVICE LIST

Parties:

Mary Bouchard
Vermont Gas Systems, Inc.
85 Swift Street
South Burlington, VT 05403
mbouchard@vermontgas.com

(for Vermont Gas
Systems, Inc.)

Debra L. Bouffard, Esq.
Sheehey Furlong & Behm
30 Main Street, 6th Floor
P.O. Box 66
Burlington, VT 05402-0066
dbouffard@sheeheyvt.com

(for Vermont Gas
Systems, Inc.)

William F. Ellis
McNeil, Leddy & Sheahan
271 South Union Street
Burlington, VT 05401
wellis@mcneilvt.com

(for City of Burlington
Electric Department)

William F. Ellis
McNeil, Leddy & Sheahan
271 South Union Street
Burlington, VT 05401
wellis@mcneilvt.com

(for Vermont Public
Power Supply Authority)

James Gibbons
City of Burlington Electric Department
585 Pine Street
Burlington, VT 05401
jgibbons@burlingtonelectric.com

(for City of Burlington
Electric Department)

Megan Ludwig, Esq.
Vermont Department of Public Service
112 State Street
Montpelier, VT 05620-2601
megan.ludwig@vermont.gov

(for Vermont
Department of Public
Service)

Jill Pfenning
Vermont Gas Systems, Inc.
85 Swift Street
South Burlington, VT 05403
jpfenning@vermontgas.com

(for Vermont Gas
Systems, Inc.)

Morris L. Silver, Esq.
Law Offices of Morris L. Silver, Esq.
P.O. Box 606
Benson, VT 05731-0606
mlsilver@sover.net

(for Efficiency Vermont
- Vermont Energy
Investment Corporation)

Darren Springer
City of Burlington Electric Department
585 Pine Street
Burlington, VT 05401
dspringer@burlingtonelectric.com

(for City of Burlington
Electric Department)

Emily Stebbins-Wheelock
City of Burlington Electric Department
585 Pine Street
Burlington, VT 05401
estebbins-wheelock@burlingtonelectric.com

(for City of Burlington
Electric Department)

Matthew J. Walker
Efficiency Vermont-Vermont Energy Investment Corporation
20 Winooski Falls Way
5th Floor
Winooski, VT 05404
mjwalker@veic.org

(for Efficiency Vermont
- Vermont Energy
Investment Corporation)

David C. Westman
Efficiency Vermont - Vermont Energy Investment Corporation
20 Winooski Falls Way
5th Floor
Winooski, VT 05404
dwestman@veic.org

(for Efficiency Vermont
- Vermont Energy
Investment Corporation)