

REPORT TO THE VERMONT LEGISLATURE

2019 Energy Efficiency Utility Program Revenues and Expenditures

Submitted by the Vermont Public Utility Commission pursuant to 30 V.S.A. § 209(d)(3)(A)

May 12, 2021

I. Introduction and Statutory Basis

In accordance with 30 V.S.A. § 209, the Vermont Public Utility Commission (“Commission”) is providing the Vermont Legislature with a final report (“Report”) on the Energy Efficiency Utility Fund (“EEU Fund”) revenues and expenditures for activity through December 31, 2019.¹ The vast majority of the expenditures support the energy efficiency services provided by Efficiency Vermont, the City of Burlington Electric Department (“BED”), and Vermont Gas Systems, Inc. (“Vermont Gas”).² This Report includes information summarizing the results of the activities paid for by the EEU Fund in 2019.³

The EEU program is funded through an energy efficiency charge on electricity and natural gas customer bills. In addition, thermal energy and process fuel (“TEPF”) efficiency services are funded through a combination of proceeds from Vermont’s participation in the Regional Greenhouse Gas Initiative (“RGGI”) and the electric EEUs’ participation in the regional grid’s Forward Capacity Market.⁴

As this Report shows, the EEUs are providing substantial benefits to the state’s electricity, natural gas, and TEPF consumers by reducing participating customers’ energy consumption. Energy efficiency investments lead to societal benefits and financial savings for all Vermonters. When Vermonters save energy through energy efficiency investments, utilities generally need to buy and deliver less energy. In certain circumstances this reduced demand for electricity or natural gas may also avoid or delay the need for additional utility transmission or distribution infrastructure. When additional utility infrastructure investments are avoided or delayed, utility costs are less than they otherwise would be, and therefore the rates paid by all consumers are typically less than they otherwise would be. The customers who participate in the EEU programs accrue additional savings as a result of their reduced electricity or natural gas consumption. In addition, reduced energy consumption decreases adverse effects on the environment.

¹ The statute reads as follows: “The Commission will annually provide the General Assembly with a report detailing the revenues collected and the expenditures made for energy efficiency programs under this section.” 30 V.S.A. § 209(d)(3)(A).

² Vermont Energy Investment Corporation (“VEIC”) serves as a statewide EEU, known as Efficiency Vermont. BED provides EEU services in its service territory. Vermont Gas provides natural gas EEU services in its service territory.

³ This Report is for the 2019 program year because the EEU Fund has not yet been audited and the program savings have not yet been verified for 2020. There is a necessary lag in reporting this information to the Legislature because the program savings verification by the Vermont Department of Public Service (“Department”) and the independent audit of the EEU Fund must both be completed during the calendar year following the program year.

⁴ Pursuant to 30 V.S.A. §§ 209(e)(1)(A), 209(e)(1)(B), and 255(d), proceeds from the ISO-New England Forward Capacity Market and RGGI auctions are used, in part, to provide TEPF efficiency services.

II. 2019 Revenues and Expenditures

Batchelder Associates, PC, was the company under contract with the Commission as the Fiscal Agent for the EEU Fund during the program year.⁵ The financial figures related to the EEU Fund in this Report are based on the Fiscal Agent's reports. The firm of Clark, Schaefer, Hackett & Co. was engaged by the Commission to perform an independent audit of the EEU Fund's revenues and expenditures. The Independent Auditor's Report provides additional information on the revenues and expenditures of Vermont's EEU programs that coincide with the State's Fiscal Year 2020.⁶ A brief summary of the EEU Fund follows.

Total revenues collected by the EEU Fund during calendar year 2019 were \$72,195,618 (including revenues collected through the energy efficiency charge on electric and natural gas customers' bills, Efficiency Vermont's and BED's participation in the Forward Capacity Market, Vermont's participation in the RGGI program, SMEEP application fees,⁷ taxes, and interest income accrued).⁸ The following table shows the sources of these revenues.

Electric EEC	\$53,748,557
Natural Gas EEC	\$3,648,863
Forward Capacity Market	\$11,837,228
RGGI	\$2,223,466
Interest Income	\$149,976
SMEEP	\$50,000

Total expenditures from the EEU Fund during calendar year 2019 were \$65,779,802. Most of the expenditures were for the implementation of electric, natural gas, and TEPF efficiency programs. The remainder of expenditures were for other necessary cost categories, including monitoring and evaluation activities undertaken by the Department, administrative costs (such as the services of the EEU Fiscal Agent, and the EEU Fund audit), and taxes. It is expected that

⁵ The Fiscal Agent provides the accounting services necessary to administer the EEU Fund. These services include: (1) receiving funds collected by Vermont electric and natural gas distribution utilities and those that accrue from participation in RGGI and the Forward Capacity Market; (2) disbursing funds to pay approved invoices; (3) managing any cash balances in the EEU Fund; and (4) reporting on EEU Fund financial activities. The unaudited year-end Fiscal Agent financial statement is available for review at <https://epuc.vermont.gov/?q=node/64/148923>.

⁶ In the past, the Commission has engaged the auditor to perform two audits of the EEU Fund: one to coincide with the calendar year activities of the Fund and of the EEUs, and the second to coincide with the State of Vermont fiscal year. The Commission has eliminated the calendar year audit to conserve Vermont ratepayer funds. The Independent Auditor's Report is available for review at <https://epuc.vermont.gov/?q=node/64/158608>.

⁷ SMEEP is the self-managed energy efficiency program.

⁸ The revenue and expenditure figures in this paragraph are presented on an accrual basis.

revenues and expenditures will be closely matched over the life of the three-year budget cycle for the EEU services.⁹

III. Program Achievements

While the statute does not require the Commission to report on the program activities of the EEUs, this Report summarizes the EEUs' key accomplishments in 2019. Additional information on these activities can be found in the EEUs' annual reports.¹⁰

Efficiency Vermont

The investments made by Efficiency Vermont in 2019 are projected to provide Vermonters a total resource benefit of approximately \$128,184,220 over the 10.5-year weighted lifetime average of the investments.¹¹ Efficiency Vermont estimates that it served more than 81,900 Vermonters in 2019 (approximately 72,513 households and 9,434 businesses). Efficiency Vermont's electrical savings were 116,156 MWh, while its savings for TEPF efficiency, primarily associated with the Home Performance with Energy Star service, totaled 128,273 MMBtu in 2019.

BED

The investments in EEU services made by BED in 2019 were \$1,887,958 and provide BED customers a total resource benefit of approximately \$4,308,961 over the 12-year weighted average lifetime of the investments.¹² BED served approximately 1,489 customers in 2019 (468 business customers and 1,021 residential customers). BED's electrical savings totaled 3,854 MWh, while its residential savings for TEPF efficiency, primarily associated with the Home Performance with Energy Star service, totaled 120 MMBtu in 2019.

⁹ The Commission established the EEU budgets for 2018, 2019, and 2020 in orders issued on July 7, 2017, October 12, 2017, and November 9, 2017, in Case No. EEU-2016-03. The EEU program is operated on a three-year performance cycle, and expenses and revenues may not match each year. Expenses are capped by the three-year budget approved by the Commission. (The associated energy efficiency charge revenue collections are enough to cover only 35 of 36 months of the three-year budgets; the 36th month of collections occurs after the end of the three-year budget period. As determined by a Commission Order issued on March 29, 2013, in EEU-2011-06, the EEU Fund includes an additional \$1.6 million collected through the energy efficiency charge during 2014 and 2015 to address the one-month lag between energy efficiency charge collection and program expenditures.)

¹⁰ See BED's 2019 Annual Report at <https://epuc.vermont.gov/?q=node/64/149031>, Efficiency Vermont's 2019 Annual Report at <https://epuc.vermont.gov/?q=node/64/153044>, and Vermont Gas's 2019 Annual Report at <https://epuc.vermont.gov/?q=node/64/154144>.

¹¹ Unless otherwise noted, the kWh savings and benefits figures included in this Report have been verified by the Department as part of its evaluation activities.

¹² BED's kWh savings and benefit figures have not yet been independently verified. The Department's verification report on BED's 2019 savings and benefits claims will be filed with the Commission soon.

During 2019, Vermont Gas invested \$2,919,774 in its energy efficiency programs. These investments are expected to result in lifetime savings of 1,149,795 Mcf of natural gas with a total resource benefit of approximately \$11,580,667. Residential customers received 57 percent of these benefits and commercial and industrial customers realized approximately 43 percent.

IV. Residential Energy Efficiency Goals

Pursuant to 30 V.S.A. § 209(g)(4) and 10 V.S.A. § 581(1), the Commission monitors the state's progress in meeting the goals for improving the energy fitness of the state's housing stock. Specifically, Section 581(1) calls for improving the energy fitness of the state's housing stock to achieve the statutory goal of more than 60,000 weatherized housing units (20 percent of the housing stock) by 2017, and 80,000 weatherized housing units (25 percent of the housing stock) by 2020.

Annually, the Department reports on the state's progress on meeting the building energy efficiency goals identified in Section 581(1).¹³ The participating organizations include Efficiency Vermont, BED, Vermont Gas, the Weatherization Assistance Program of the Vermont Office of Economic Opportunity ("WAP"), and 3E Thermal.¹⁴ During 2019, these organizations completed 2,103 comprehensive residential retrofit projects. Cumulatively, approximately 29,289 homes have substantially improved their energy fitness, with WAP completing 13,227 housing units, Efficiency Vermont 9,502, Vermont Gas 3,929, 3E Thermal 2,640, and BED 91.

While steady progress has been made toward achieving these energy efficiency goals, only 37% of the 2020 goal of 80,000 housing units has been achieved. Efficiency Vermont's and BED's thermal energy efficiency opportunities are limited by the available Forward Capacity Market and RGGI revenues, which are expected to decrease significantly in coming years. Vermont Gas's energy efficiency opportunities are limited by the size of its service territory. As a result of the limited funding for these programs, the 2020 goal will not be achieved. While this milestone will be missed, we nonetheless recommend that the Legislature continue to explore all options to increase available funding to help improve the energy fitness of Vermont's housing stock, which would result in substantial benefits to Vermont residents.

V. Conclusion

This report, the Independent Auditor's Report, and the EEU annual reports and fiscal agent reports referenced within show: (1) the EEU Fund is being managed appropriately; and (2) the

¹³ See the Department's 2019 report at <https://epuc.vermont.gov/?q=node/64/154956>.

¹⁴ 3E Thermal was formerly known as the Vermont Fuel Efficiency Partnership.

energy savings achieved by Efficiency Vermont, BED, and Vermont Gas in the past year benefitted all Vermonters, whether or not they directly participated in EEU programs.

The State has enacted ambitious residential energy efficiency goals – seeking to substantially improve the energy fitness of at least 20% of Vermont’s housing stock by 2017 and 25% by 2020.¹⁵ The Commission is required to ensure that the energy efficiency programs implemented by the EEUs are designed to make continuous and proportional progress toward attaining these goals.¹⁶ Despite the commendable efforts of the EEUs and other participating organizations, the important residential energy efficiency goals will not be met. The Vermont Public Utility Commission recommends that the Vermont Legislature continue to prioritize the identification of new funds for the purpose of substantially improving the energy fitness of Vermont’s housing stock so that the meaningful health, environmental, social, and economic benefits may be realized for Vermont’s citizens.

Please keep in mind that with this Report, the Commission is not reporting on all electric or natural gas energy efficiency initiatives that are being implemented throughout the state; instead, this report is limited to describing the use of the funds received pursuant to 30 V.S.A. § 209(d)(3) and the statewide efficiency services delivered by Efficiency Vermont, BED, and Vermont Gas. Vermont’s electric and natural gas utilities continue to consider opportunities to implement energy efficiency initiatives as part of distributed utility planning and may choose to offer such initiatives as a service to their customers.

Additional information about the various EEU-related oversight activities that the Commission and other entities conduct is available on the Commission’s website.¹⁷

¹⁵ 10 V.S.A. § 581(1).

¹⁶ 30 V.S.A. § 209(f)(15).

¹⁷ <http://puc.vermont.gov/energy-efficiency-utility-program>.