Vermont Energy Efficiency Utility Fund

(An Enterprise Fund of the State of Vermont)

Financial Report
June 30, 2022

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CONTENTS

Independent Auditors' Report

Vermont Public Utility Commission
Montpelier, Vermont

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of each major fund and the combined total of the Vermont Energy Efficiency Utility Fund (Fund) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the combined total of the Fund as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements - Continued

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fund's basic financial statements. The accompanying supplementary schedule of revenues, expenses and changes in net position – primary fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary schedule of revenues, expenses and changes in net position – primary fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2022 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

BST & Co. CPAs, LLP

Latham, New York
December 12, 2022

Vermont Energy Efficiency Utility Fund

(An Enterprise Fund of the State of Vermont)

Management's Discussion and Analysis
Year Ended June 30, 2022

The Vermont Energy Efficiency Utility Fund is comprised of two major enterprise funds, the Energy Efficiency Utilities ("Primary Fund") and the Regional Greenhouse Gas Initiative ("RGGI Fund"), hereafter referred to as the "Fund." Management of the Fund is pleased to present its Financial Report for the fiscal year ended June 30, 2022, developed in compliance with Statement of Governmental Accounting Standard No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments* (hereafter "GASB 34"), and related standards. We encourage readers to consider the information presented on pages 4 to 7 in conjunction with the Fund's combining financial statements (presented on pages 8 to 10) to enhance their understanding of the Fund's financial performance.

RESPONSIBILITY AND CONTROLS

The Fund has prepared and is responsible for the combining financial statements and related information included in this report. A system of internal accounting controls is maintained to provide reasonable assurance that assets are safeguarded and that the books and records reflect only authorized transactions. Limitations exist in any system of internal controls. However, based on the recognition that the cost of the system should not exceed its benefits, management believes its system of internal accounting controls maintains an appropriate cost/benefit relationship.

The Fund's system of internal accounting controls is evaluated on an ongoing basis by the Fund's management and fiscal agents. Independent external auditors also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing opinions on the financial statements.

The Fund's finances are overseen by the Vermont Public Utility Commission (Commission). The Commission has assigned members of its staff to an Energy Efficiency Utility team to carry out its oversight responsibilities. Periodically, the Commission meets with the fiscal agents and the independent external auditors to ensure these groups are fulfilling their obligations and to discuss auditing, controls, and financial reporting matters.

Management believes that its policies and procedures provide guidance and reasonable assurance that the Fund's operations are conducted according to management's intentions and to a high standard of business ethics. In management's opinion, the financial statements present fairly, in all material respects, the financial position of each major fund and the combined total of the Fund, and the respective results of operations and cash flows thereof in conformity with accounting principles generally accepted in the United States of America.

AUDIT ASSURANCE

The unmodified (i.e., clean) opinion of our independent external auditors, BST & Co. CPAs, LLP, is included on pages 1 through 3 of this report.

This section presents management's discussion and analysis of the Fund's financial condition and activities for the fiscal year ended June 30, 2022. This information should be read in conjunction with the financial statements.

Vermont Energy Efficiency Utility Fund

(An Enterprise Fund of the State of Vermont)

Management's Discussion and Analysis
Year Ended June 30, 2022

FINANCIAL HIGHLIGHTS

Major financial highlights of the Primary Fund for the fiscal year ended June 30, 2022, are listed below:

- The assets exceeded its liabilities at fiscal year-end by $23,347,715 (net position).
- In total, net position increased by $6,405,900.
- Total operating revenues were $66,383,076, an increase of $3,655,949 from fiscal year 2021. Additionally, total operating expenses increased by $2,833,146 compared to the prior year.

REQUIRED FINANCIAL STATEMENTS

The combining financial statements of the Fund report information about the Fund's use of accounting methods which are similar to those used by private sector companies.

The combining statement of net position includes all of the Fund's assets and liabilities.

All of the current year's revenues and expenses are accounted for in the combining statement of revenues, expenses, and changes in net position. This statement measures the success of the Fund's operations over the past year.

The final required financial statement is the Fund's combining statement of cash flows. The primary purpose of this statement is to provide information about the Fund's cash receipts and cash payments during the current year. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities, and the change in cash during the past year.

The notes to the combining financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Fund's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

FINANCIAL ANALYSIS

A. Net Position at Fiscal Year-End

The following table presents a condensed summary of the Primary Fund's overall financial position on June 30, 2022 and 2021:

	2022	2021	$ Change	% Change
Current assets	$ 31,486,623	$ 26,679,007	$ 4,807,616	18.0%
Current liabilities	6,459,066	4,301,049	2,158,017	50.2%
Long-term liabilities	1,679,842	5,436,143	(3,756,301)	-69.1%
Total liabilities	8,138,908	9,737,192	(1,598,284)	-16.4%
			-	
Total net position	$ 23,347,715	$ 16,941,815	$ 6,405,900	37.8%

FINANCIAL ANALYSIS - Continued

A. Net Position at Fiscal Year-End - Continued

The Primary Fund's total asset increased by approximately $4,807,616, which is due to significant increases in program revenues largely related to higher than projected RGGI auction proceeds. Approximately three quarters of the Primary Fund's assets consist of cash and cash equivalents maintained by the fiscal agents. The other quarter of the Primary Fund's assets consist of accounts receivables. No receivables were written off during the current fiscal year.

Total liabilities decreased by $1,598,284. The increase in current liabilities was largely due to the current accrual of performance incentives as well as the increase in accounts payable, due to higher demand for programs. The decrease in long-term liabilities is due to the accrual of performance incentives on the 2021-2023 performance cycle that will be paid out in 2024, a portion of this accrual is in current liabilities for fiscal year 2022. Changes in how performance incentives are disbursed resulted in an increase in current liabilities with a commensurate decrease in long-term liabilities. Further, the payout of the performance incentives to Vermont Energy Investment Corporation on the 2018-2020 performance cycle was made in October 2021, therefore reducing the long term liability of the fund in fiscal year 2022.

B. Change in Net Position during Fiscal Year 2022

The following table presents a summary of the Primary Fund's activities during the fiscal years 2022 and 2021 and the resulting change in net position:

	2022	2021	$ Change	% Change
OPERATING REVENUES				
Assessments (Energy Efficiency Charges)	$ 54,125,000	$ 53,586,497	$ 538,503	1.0%
Forward Capacity Market	7,496,366	6,506,084	990,282	15.2%
Regional Greenhouse Gas Initiative	4,761,710	2,634,546	2,127,164	80.7%
Total Operating Revenues	66,383,076	62,727,127	3,655,949	5.8%
OPERATING EXPENSES				
Energy programs	50,313,132	48,908,230	1,404,902	2.9%
Monitoring and evaluation	2,929,584	2,352,748	576,836	24.5%
Program support services	6,201,433	5,395,237	806,196	14.9%
Taxes	558,583	513,371	45,212	8.8%
Total Operating Expenses	60,002,732	57,169,586	2,833,146	5.0%
Operating Income (Loss)	6,380,344	5,557,541	822,803	14.8%
NON-OPERATING REVENUES				
Distribution to participating utility	-	(242,706)	242,706	0.0%
Investment earnings	25,556	19,545	6,011	30.8%
	25,556	(223,161)	248,717	-111.5%
CHANGE IN NET POSITION	6,405,900	5,334,380	1,071,520	20.1%
NET POSITION, beginning of year	16,941,815	11,607,435	5,334,380	46.0%
NET POSITION, end of year	$ 23,347,715	$ 16,941,815	$ 6,405,900	37.8%

B. Change in Net Position during Fiscal Year 2022 - Continued

The Primary Fund experienced a significant increase in net position of $6.4 million, compared to an increase in net position in 2021 of $5.3 million. Over a two-year period, the Primary Fund had a combined increase in net position of $11.7 million. The increase is driven by higher than projected RGGI revenue along with lower than projected demand for programs due to the COVID-19 Pandemic. Additionally, total assessments and forward capacity market charges increased $538,503 and $990,282, respectively. Total operating expenses increased $2.8 million, of which $1.4 million is directly related to the higher demand for energy programs for Efficiency Vermont.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

During 2006, ISO-New England established a Forward Capacity Market (FCM) that will pay suppliers to ensure sufficient capacity is available to meet future peak loads, with the value of such payments determined by auction. This market is unique in that it allows energy efficiency, distributed generation, and other demand resources to compete directly with generators of electricity. On December 14, 2006, The Commission issued an Order authorizing the Primary Fund to participate in ISO-New England's FCM. Both Vermont Energy Investment Corporation (VEIC) and Burlington Electric Department (BED) now participate in the FCM. BED and VEIC's joint revenues from their FCM participation was $7,192,426 during fiscal year 2022.

State law requires that all of the RGGI auction revenue, net of program support services costs, be deposited into the Primary Fund, and that any such net revenues not transferred to the State PACE reserve fund must be used for funding thermal energy and process-fuel efficiency services. The fiscal year 2022 RGGI revenue deposited into the Primary Fund was $4,761,710, and the fiscal year 2021 RGGI revenue deposited into the Fund was $2,634,546.

The RGGI Fund's net position as of June 30, 2022 was $1,509,684 compared to $898,757 as of June 30, 2021. Total operating expenses of $5,095,103 in fiscal year 2022 increased from $2,839,813 in fiscal year 2021 due higher demand in programs. The increase in expenses was attributable to the timing of the distribution of auction proceeds during fiscal year 2022.

On April 6, 2022, the PUC issued another 11-year renewal from January 1, 2023 to December 31, 2033.

REQUESTS FOR ADDITIONAL INFORMATION

This financial report is designed to provide users with a general overview of the Fund's finances and to show the Fund's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact:

Vermont Public Utility Commission
112 State Street
Montpelier, VT 05620-2701
puc.clerk@vermont.gov
(802) 828-2358

Vermont Energy Efficiency Utility Fund

(An Enterprise Fund of the State of Vermont)

Combining Statement of Net Position

	June 30, 2022		
	Primary Fund - EEU	**RGGI**	**Combined Total**
ASSETS			
Current Assets			
Cash and cash equivalents	$ 22,835,875	$ 1,510,184	$ 24,346,059
Accounts receivable:			
Receivable from energy distributors	8,650,748	-	8,650,748
Total Assets	$ 31,486,623	$ 1,510,184	$ 32,996,807
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	$ 5,134,878	500	$ 5,135,378
Taxes payable	229,796	-	229,796
Current VEIC performance incentive	1,094,392	-	1,094,392
Total current liabilities	6,459,066	500	6,459,566
Non-Current Liabilities			
Accrued VEIC performance incentive	1,679,842	-	1,679,842
Total Liabilities	8,138,908	500	8,139,408
NET POSITION			
Restricted			
Restricted for SMEEP	237,203	-	237,203
Restricted for TEPF	10,768,423	1,499,684	12,268,107
Restricted for Natural Gas	60,993	-	60,993
Unrestricted	12,281,096	10,000	12,291,096
Total Net Position	23,347,715	1,509,684	24,857,399
Total Liabilities and Net Position	$ 31,486,623	$ 1,510,184	$ 32,996,807

See accompanying notes to the financial statements.

Vermont Energy Efficiency Utility Fund

(An Enterprise Fund of the State of Vermont)

Combining Statement of Activities

	Year Ended June 30, 2022			
	Primary Fund - EEU	RGGI	Elimination	Combined Total
OPERATING REVENUES				
Assessments (Energy Efficiency Charges)	$ 54,125,000	-	-	$ 54,125,000
Forward Capacity Market	7,496,366	-	(303,940)	7,192,426
Regional Greenhouse Gas Initiative	4,761,710	5,704,979	(4,761,710)	5,704,979
Total Operating Revenues	66,383,076	5,704,979	(5,065,650)	67,022,405
OPERATING EXPENSES				
Energy programs	50,313,132	5,065,650	(5,065,650)	50,313,132
Monitoring and evaluation	2,929,584	-	-	2,929,584
Program support services	6,201,433	29,453	-	6,230,886
Taxes	558,583	-	-	558,583
Total Operating Expenses	60,002,732	5,095,103	(5,065,650)	60,032,185
Operating Income	6,380,344	609,876		6,990,220
NON-OPERATING REVENUES				
Investment earnings	25,556	1,051	-	26,607
CHANGE IN NET POSITION	6,405,900	610,927	-	7,016,827
NET POSITION, beginning of year	16,941,815	898,757	-	17,840,572
NET POSITION, end of year	$ 23,347,715	$ 1,509,684	-	$ 24,857,399

See accompanying notes to the financial statements.

Vermont Energy Efficiency Utility Fund

(An Enterprise Fund of the State of Vermont)

Combining Statement of Cash Flows

	Year Ended June 30, 2022		
	Primary Fund - EEU	RGGI	Combined Total
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES			
Cash received from customers	$ 66,726,408	$ 5,704,979	$ 72,431,387
Cash paid to suppliers for goods and services	(61,601,016)	(5,094,603)	(66,695,619)
	5,125,392	**610,376**	**5,735,768**
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES			
Interest income	25,556	1,051	26,607
Net increase in cash and cash equivalents	**5,150,948**	**611,427**	**5,762,375**
CASH AND CASH EQUIVALENTS, beginning of year	17,684,927	898,757	18,583,684
CASH AND CASH EQUIVALENTS, end of year	**$ 22,835,875**	**$ 1,510,184**	**$ 24,346,059**
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income	$ 6,380,344	$ 609,876	$ 6,990,220
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Change in accounts receivable	343,332	-	343,332
Change in accounts payable and accrued expenses	1,076,296	500	1,076,796
Change in taxes payable	(12,671)	-	(12,671)
Change in incentive accrual	(2,661,909)	-	(2,661,909)
	$ 5,125,392	$ 610,376	$ 5,735,768

See accompanying notes to the financial statements.

Note 1 - Organization and Summary of Significant Accounting Policies

The combining financial statements of the Vermont Energy Efficiency Utility Fund (Fund) have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant accounting policies utilized by the Fund are summarized below.

a. Reporting Entity

Primary Fund – Energy Efficiency Utilities

Pursuant to 30 Vermont Statutes Annotated (V.S.A.) § 209(d), the Vermont Public Utility Commission (Commission) established the Primary Fund to account for statewide electric and thermal energy and process fuels (TEPF) efficiency programs.

During 2009, the Commission established the current structure of the Primary Fund, operating under an Order of Appointment model. Under this model, the Commission appoints energy efficiency utilities to deliver energy efficiency services. The appointments are for an initial rolling 12-year term appointment and subsequent "renewal" terms of approximately 11 years, as opposed to the 3-year contract terms under the previous structure. Currently, the Commission has appointed three entities to serve as energy efficiency utilities (EEUs): Vermont Energy Investment Corporation (VEIC) (d.b.a. Efficiency Vermont) to deliver energy efficiency services throughout most of the State, the City of Burlington Electric Department (BED) to deliver energy efficiency services within its service territory, and Vermont Gas Systems, Inc. (VGS) to deliver natural gas energy efficiency services within its service territory.

The Vermont Department of Public Service (DPS), a separate State agency, serves as the State's energy office and as the public advocate in proceedings before the Commission. The DPS is the lead entity for evaluating and monitoring the EEUs.

Pursuant to 30 V.S.A. § 209, the Commission established a volumetric charge to customers, the Energy Efficiency Charge (EEC), for the support of energy efficiency programs. The EEC is collected by distribution utilities throughout the State and remitted to the Fund on a monthly basis. During fiscal year 2022, there were eighteen distribution utilities assessing these charges. Pursuant to Rule 5.300, the Commission issued three orders in November 2021, setting the 2022 EEC rates for Vermont Gas, Efficiency Vermont, and Burlington Electric, to take effect with bills rendered on and after February 1, 2022.

Forward Capacity Market

During 2006, the Commission authorized VEIC and BED to participate in ISO-New England's Forward Capacity Market (FCM). The FCM allows demand resources, such as energy efficiency, to bid into the market on a comparable basis with supply resources, such as generation. The capacity payments received from the FCM are restricted for use by the Fund for TEPF energy efficiency services.

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

a. Reporting Entity - Continued

Regional Greenhouse Gas Initiative Fund of Vermont

During 2005, Vermont joined the Regional Greenhouse Gas Initiative (RGGI), an effort among nine states to cap and reduce CO^2 emissions from fossil-fuel-fired electric generation facilities with a nameplate capacity of 25 MW or greater. Vermont had approximately 1.2 million tons of CO^2 allowance annually through 2014, before reducing them over the subsequent four years. The allowances will be sold through auction, and the proceeds, net of program support services costs, will be used for the benefit of the State's consumers.

30 V.S.A. § 255 requires the Agency of Natural Resources and the Commission to establish a process to participate in the RGGI auction, while further providing several goals for the Commission to consider in allocating RGGI carbon dioxide allowances and the proceeds from their auction. Pursuant to 30 V.S.A. § 255(d), auction proceeds (net of program support services costs) are deposited into the Fund and restricted for TEPF energy efficiency services. The transactions of the RGGI are accounted for as a separate enterprise fund by a Commission-contracted RGGI Trustee.

b. Basis of Accounting and Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred, regardless of the timing of receipt or cash payment related to those transactions. All transactions are accounted for in two enterprise funds.

Enterprise accounting uses a flow of economic resource measurement focus. With this measurement focus, all assets and liabilities are included in the statement of net position.

Net position may be classified into three components, as follows:

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation reduced by the net outstanding debt balances attributable to the acquisition of capital assets. There were no capital assets or related outstanding debt balances at June 30, 2022.

- *Restricted net position* has constraints placed on use, either externally or internally. Constraints include those imposed by laws and regulations of other governments. Restricted net assets on June 30, 2022, are presented in Note 6.

- *Unrestricted net position* consists of assets and liabilities that do not meet the definition of “restricted net position” or “net investment in capital assets.”

The statements of revenues, expenses and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statements of cash flows provide information about how the Fund finances and meets its cash flow needs of its enterprise activities.

Operating revenues are defined as income received from sources dedicated for energy efficiency programs and services. Operating expenses are defined as ordinary costs and expenses of the Fund to provide energy efficiency programs and services. Revenues and expenses not meeting this definition are reported as non-operating.

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

c. Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

d. Cash and Cash Equivalents

For purposes of these statements, cash and cash equivalents include all highly liquid securities with a maturity of three months or less. Interest is credited to the Fund when earned.

The Fund maintains its cash balances with a local financial institution under the control of the fiscal agents. Custodial credit risk is the risk that, in the event of a bank failure, the Fund's deposits may not be returned to it. As of June 30, 2022, the Primary Fund and the RGGI Fund had bank balances of $18,857,916 and $1,510,054, respectively, that were exposed to custodial credit risk since they were uninsured or uncollateralized.

e. Accounts Receivable

Accounts receivable are carried at their gross value when earned as the underlying exchange transaction occurs. Typically, the monthly assessments received from the distribution utilities are assessed on electric and natural gas usage sold two months prior. Other revenue sources are received in the subsequent month it was earned.

Management considers accounts receivable to be fully collectible. Accordingly, there is no allowance for doubtful accounts. If, in the future, management determines that amounts may be uncollectible, an allowance will be established, and operations will be charged when that determination is made.

f. Accrued Performance Incentive

The Commission approves a Demand Resource Plan (DRP) that establishes the programs and services to be provided on a three-year performance cycle; the current performance cycle covers the triennial period 2021 through 2023. The DRP includes quantifiable performance indicators that monetarily incentivize non-utility entities to meet its goals. Currently, VEIC is the only EEU that qualifies for these monetary incentives. The incentives are accrued ratably over the three-year cycle and partial disbursements were made in the first two years after verification by DPS and approval by the Commission. The maximum performance incentives that VEIC can earn in the current performance cycle (2021-2023) for electric energy efficiency and TEPF is $4,952,176 and $899,444, respectively.

g. Subsequent Events

The Fund has evaluated subsequent events for potential recognition or disclosure through December 12, 2022, the date the financial statements were available to be issued.

Vermont Energy Efficiency Utility Fund

(An Enterprise Fund of the State of Vermont)

Notes to Combining Financial Statements
June 30, 2022

Note 2 - Energy Program Distribution

Distributions for energy efficiency services were made to VEIC, for Efficiency Vermont, BED, and VGS during the fiscal year by the fiscal agents in accordance with the terms of their appointments, or as directed by the DPS, with concurrence of the Commission. The Primary Fund's distributions for the fiscal year ended June 30, 2022 were made as follows:

	Unrestricted	TEPF	Natural Gas
Energy Efficiency Programs			
Efficiency Vermont			
Business New Construction	$ 2,380,236	$ -	$ -
Business Existing Facilities	19,199,149	-	-
Business TEPF	-	762,225	-
Residential New Construction	2,846,353	-	-
Residential Existing Homes	4,161,308	-	-
Residential TEPF	-	3,991,086	-
Energy Efficient Products	10,992,593	-	-
ACT 62	7	-	-
Subtotal	39,579,646	4,753,311	-
Burlington Electric Department			
Business New Construction	306,309	-	-
Business Existing Facilities	1,165,604	-	-
Business TEPF	-	198,002	-
Residential New Construction	72,049	-	-
Residential Existing Homes	416,917	-	-
Residential TEPF	-	23,204	-
Energy Efficient Products	319,607	-	-
Subtotal	2,280,486	221,206	-
Green Mountain Power			
CEED Fund	-	59,844	-
Efficiency Fund Capacity	-	67,741	-
Subtotal	-	127,585	-
Vermont Gas Systems			
Residential New Construction	-	-	281,855
Residential Equipment Replace	-	-	959,572
Residential Retrofit Program	-	-	1,441,401
Commercial New Construction	-	-	144,021
Commercial Equipment Replace	-	-	214,515
Commercial Retrofit Program	-	-	309,534
Subtotal	-	-	3,350,898
Total	$ 41,860,132	$ 5,102,102	$ 3,350,898

Program support services costs paid by the RGGI Fund for the fiscal year ended June 30, 2022 to the Vermont Agency of Natural Resources were $29,453.

Note 3 - Program Support Services

Program support services costs incurred by the Primary Fund for the fiscal year ended June 30, 2022, were as follows:

	Unrestricted	TEPF	Natural Gas
Efficiency Vermont			
Applied R&D	$ 139,396	$ 21,868	$ -
Education	520,409	85,438	-
Evaluation	376,696	61,746	-
Information Technology	988,898	174,540	-
Planning and Reporting	336,522	59,386	-
Policy and Public Affairs	553,296	97,643	-
Performance Incentives	1,828,677	335,079	-
Subtotal	4,743,894	835,700	-
Burlington Electric Department			
Applied R&D	715	-	-
Education	33,420	1,592	-
Evaluation	18,324	-	-
General Administration	62,391	1,946	-
Information Technology	18,004	819	-
Planning and Reporting	11,091	910	-
Policy and Public Affairs	1,095	-	-
Subtotal	145,040	5,267	-
Vermont Gas Systems			
Applied R&D	-	-	9,368
Education and Training	-	-	78,762
Evaluation	-	-	27,870
General Administration	-	-	32,718
Information Technology	-	-	35,560
Planning and Reporting	-	-	54,726
Policy and Public Affairs	-	-	15,718
Subtotal	-	-	254,722
Other			
Other expenses	1,215	-	-
Uncollectibles	75,354	-	-
Fiscal Agent and Audit Fees	138,205	-	-
Bank Fees	2,036	-	-
Subtotal	216,810	-	-
Total	$ 5,105,744	$ 840,967	$ 254,722

Note 4 - DPS Monitoring and Evaluation

The Department of Public Services (DPS) monitoring and evaluation expenses incurred by the Primary Fund for the fiscal year ended June 30, 2022, were as follows:

	Unrestricted	SMEEP	TEPF	Natural Gas	Total
VEEUF	$ 1,563,500	$ -	$ -	$ -	$ 1,563,500
Forward Capacity Market	-	-	1,050,174	-	1,050,174
TEPF Initiatives	-	-	22,831	-	22,831
Natural Gas	-	-	-	293,079	293,079
	$ 1,563,500	$ -	$ 1,073,005	$ 293,079	$ 2,929,584

Note 5 - Taxes

Pursuant to 33 V.S.A. § 2503, a fuel tax of 0.5 percent on electricity assessment collections and a fuel tax of 0.75 percent on natural gas assessment collections are payable to the Home Weatherization Assistance Fund. Payments are made quarterly to the Vermont Department of Taxes. Additionally, pursuant to 30 V.S.A. §22, a gross operating revenue tax of 0.525 percent on electricity assessment collections and 0.3 percent on natural gas assessment collections is payable to the Vermont State Treasurer annually to finance the DPS and the Commission.

As of June 30, 2022, the following taxes were payable:

Gross Operating Revenue Taxes	$ 175,980
Home Weatherization Assistance Fund Taxes	53,816
	$ 229,796

Expenses related for the fiscal year ended June 30, 2022 were:

Gross Operating Revenue Taxes	$ 295,184
Home Weatherization Assistance Fund Taxes	263,399
	$ 558,583

Note 6 - Net Position

The Primary Fund's restricted net position as of June 30, 2022, comprises the following:

Restricted for SMEEP – The Commission established the self-managed energy efficiency program (SMEEP), pursuant to 30 V.S.A. § 209(h). The SMEEP allows an eligible customer to be exempt from the EEC assessment, provided that the customer commits to spending an average of no less than $3 million over a three-year period on energy efficiency investments. Funds received are restricted for DPS' monitoring and evaluation of the program.

Note 6 - Restricted Net Position - Continued

Restricted for TEPF – State statutes restrict the net proceeds from participation in the FCM and RGGI to thermal energy and process fuels (TEPF) energy efficiency services.

Restricted for Natural Gas – Collections of EEC assessments received on natural gas usage is restricted for natural gas energy efficiency services.

When both restricted and unrestricted resources are available for use, it is the policy of the Primary Fund to use restricted resources first and unrestricted resources as needed, pursuant to approval and order of the Commission.

RGGI Fund

The Commission established a minimum balance of $10,000 to minimize program support services costs. The remaining net position balance on June 30, 2022, of $1,499,684 was restricted for use by the Fund for thermal energy and process fuels energy efficiency programs approved by the Public Utility Commission.

Vermont Energy Efficiency Utility Fund

(An Enterprise Fund of the State of Vermont)

Supplementary Information
Schedule of Revenues, Expenses and Changes in Net Position – Primary Fund

	Year Ended June 30, 2022				
	Unrestricted	**SMEEP**	**TEPF**	**Natural Gas**	**EEU Total**
OPERATING REVENUES					
Assessments (Energy Efficiency Charges)	$ 50,421,790	$ 50,000	$ -	$ 3,653,210	$ 54,125,000
Forward Capacity Market	-	-	7,496,366	-	7,496,366
Regional Greenhouse Gas Initiative	-	-	4,761,710	-	4,761,710
Total Operating Revenues	$ 50,421,790	50,000	$ 12,258,076	$ 3,653,210	$ 66,383,076
OPERATING EXPENSES					
Energy programs	41,860,132	-	5,102,102	3,350,898	50,313,132
Monitoring and evaluation	1,563,500	-	1,073,005	293,079	2,929,584
Program support services	5,105,744	-	840,967	254,722	6,201,433
Taxes	512,015	-	-	46,568	558,583
Total Operating Expenses	49,041,391	-	7,016,074	3,945,267	60,002,732
Operating Income (Loss)	$ 1,380,399	$ 50,000	$ 5,242,002	$ (292,057)	$ 6,380,344
NON-OPERATING REVENUES					
Investment earnings	25,556	-	-	-	25,556
CHANGE IN NET POSITION	$ 1,405,955	$ 50,000	$ 5,242,002	$ (292,057)	$ 6,405,900
NET POSITION, beginning of year	10,875,141	187,203	5,526,421	353,050	16,941,815
NET POSITION, end of year	$ 12,281,096	$ 237,203	$ 10,768,423	$ 60,993	$ 23,347,715

See Independent Auditor's Report.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Vermont Public Utility Commission
Montpelier, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund and the combined total of the Vermont Energy Efficiency Utility Fund (Fund) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated December 12, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BST + Co. CPAs, LLP

Latham, New York
December 12, 2022