

STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 22-2954-PET

Petition of Vermont Department of Public Service to open an energy efficiency utility Demand Resources Plan proceeding for the 2024-2026 performance period	Hearings at Via GoToMeeting June 27, 2023
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Order entered: 09/26/2023

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ORDER APPROVING EFFICIENCY VERMONT'S 2024-2026 DEMAND RESOURCE PLAN

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I. INTRODUCTION

On August 18, 2022, the Vermont Public Utility Commission (“Commission”) opened this 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 (“TEPF”) energy efficiency utilities (“EEUs”) for the 2024-2026 performance period. Although this proceeding addresses all three of Vermont’s EEUs, this order is limited to the Demand Resources Plan (“DRP”) proposed by Efficiency Vermont.¹

A DRP is a set of year-by-year budgets, savings goals, and performance metrics for an energy efficiency utility program. This proceeding will result in a set of short- and long-term assumptions by which Vermont’s energy efficiency programs will operate. The establishment of

¹ The Commission has appointed the City of Burlington Electric Department (“BED”) to provide EEU services within its service territory and Vermont Energy Investment Corporation (“VEIC”) to provide EEU services in the rest of the state (known as “Efficiency Vermont”). The Commission has appointed Vermont Gas Systems, Inc. (“Vermont Gas”) to provide natural gas EEU services within its service territory.

both short and long-term EEU budgets and savings goals through a DRP allows the EEU's, 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. Vermont law requires EEU budgets funded through an energy efficiency charge to be set at a level that would achieve "all reasonably available, cost-effective energy efficiency," and describes specific objectives for the Commission to consider when setting EEU budgets.

In this Order, we approve Efficiency Vermont's DRP for the 2024-2026 performance periods. The DRP includes: the resource-acquisition budgets, the development and support service budgets, 10- and 20-year forecasts of program costs and expected savings, three-year targets for quantifiable performance indicators ("QPIs") and minimum performance requirements, and a compensation structure.

The DRP that we approve represents a balance of the proposals made by Efficiency Vermont and the Vermont Department of Public Service ("Department"). The budgets approved in this Order will enable Efficiency Vermont to acquire all reasonably available, cost-effective energy efficiency and will provide savings levels that will result in significant long-term benefits to Vermont ratepayers. In reaching its conclusions, the Commission recognizes that continued investment in cost-effective energy efficiency will result in total electric costs for Vermont ratepayers that are lower than they would otherwise be absent energy efficiency efforts. These efforts not only yield savings for customers who install electric efficiency measures, but also result in savings for all ratepayers through reduced need for power purchases by utilities and deferred need for distribution and transmission system upgrades. These savings through additional investments in energy efficiency will be obtained at a cost below the cost of traditional supply-side resources.

II. BACKGROUND AND PROCEDURAL HISTORY

Background

Vermont law directs the Commission to appoint energy efficiency utilities to develop and implement electric, natural gas, and TEPF energy efficiency and conservation programs.² To

² 30 V.S.A. § 209(d)(2).

fund the electric and natural gas programs, the Commission is authorized to establish a volumetric energy efficiency charge on electric and natural gas customer bills.³ By law, the budgets funded by the energy efficiency charge must be set at a level to achieve “all reasonably available, cost-effective energy efficiency” with consideration given to specific statutory objectives.⁴ In addition, the Commission’s conclusions are guided by the objectives and criteria of 30 V.S.A. §§ 218c, 209(d), 209(f), 202(a), and other applicable sections of Vermont statutes and prior Commission orders.

The overall EEU program structure in Vermont is described in a document titled “Process and Administration of an Energy Efficiency Utility Order of Appointment” (the “Process and Administration document”).⁵ To facilitate the Commission’s consideration of the statutory goals and criteria for Vermont’s energy efficiency programs, the Process and Administration Document describes the process to be followed in developing a DRP. The first step is for the Department to assess the potential for demand-side resources (the “potential study”). Next, an energy efficiency utility must engage with stakeholders, including the Department, Vermont utilities, weatherization agencies, and regional planning commissions, to solicit input to inform the development of its DRP proposal. Finally, an energy efficiency utility must file its comprehensive DRP proposal with the Commission.

The Commission has conducted this proceeding using contested-case procedures.⁶ The parties have filed testimony and evidence, engaged in multiple rounds of discovery, participated in public workshops and an evidentiary hearing, and filed proposed findings and legal briefs. Taken together, the parties’ filings are intended to address the requirement of Vermont law that energy efficiency utility budgets funded by an energy efficiency charge be set at a level that will

³ 30 V.S.A. § 209(d)(3).

⁴ 30 V.S.A. § 209(d)(3)(B).

⁵ The current version of the Process and Administration document was approved by the Commission on December 27, 2022, in Case No. 22-1647-PET. When the Commission initiated this proceeding, we had not approved the amended Process and Administration document under consideration in Case No. 22-1647-PET. Accordingly, this proceeding is dictated by the Process and Administration document approved by the Commission in Case No. 18-2867-INV, Order of 11/26/19.

⁶ Under the Vermont Administrative Procedure Act, “contested case” means “a proceeding, including but not restricted to ratemaking and licensing, in which the legal rights, duties, or privileges of a party are required by law to be determined by an agency after an opportunity for hearing.” 3 V.S.A. § 801(b)(2).

realize “all reasonably available, cost-effective energy efficiency,” and the specific objectives the Commission must consider when setting energy efficiency utility budgets.⁷

Procedural History

On July 27, 2022, the Department filed a petition requesting that the Commission commence this DRP proceeding, and on August 18, 2022, the Commission opened this proceeding.

In an October 13, 2022, Order, the Commission concluded that this proceeding would focus on and serve as an update to the second three-year performance period of a six-year DRP approved in Case No. 19-3272-PET. Accordingly, this case covers the 2024-2026 performance period. The budgets and expected savings forecasts extend 20 years for electricity and natural gas and ten years for TEPF.

On June 26, 2023, the Commission held an evidentiary hearing. The testimony and exhibits of witnesses for the Department, Efficiency Vermont, and the Vermont Public Power Supply Authority (“VPPSA”) were admitted into the record. The Department’s witnesses are Brian Cotterill, Melissa Bailey, Carol Flint, Kelly Launder, Keith Levenson, Barry Murphy, and Philip Picotte. Efficiency Vermont’s witnesses are Karl Johnson, Kelly Lucci, Katherine Meyers, Jay Pilliod, and David Westman. VPPSA’s witness is Kenneth Nolan. Exhibit Joint-1 contains a list of testimony and exhibits admitted into the record.

On July 25, 2023, the Department and Efficiency Vermont separately filed briefs.

On August 15, 2023, the Department and Efficiency Vermont separately filed reply briefs.

III. SUMMARY OF PARTIES’ POSITIONS

Efficiency Vermont

Efficiency Vermont filed a DRP proposal that represented a continuation of the budget and saving levels of its 2021-2023 performance period. Efficiency Vermont proposes to continue its refrigerant management program and flexible load management program started in the 2021-2023 performance period.

⁷ 30 V.S.A. §§ 209(d)(3)(B) and (f).

Efficiency Vermont proposes changes to its annual performance compensation to include performance on the greenhouse gas QPI target and adjusting the associated weight of the target. Efficiency Vermont also proposes changes to the minimum performance requirement that measures electric system benefits.

Department

The Department generally supports the proposed budgets for the 2024-2026 performance period. However, the Department proposes reductions to Efficiency Vermont's proposed refrigerant management budgets that would reduce the energy efficiency charge. The Department also proposes reductions to the proposed flexible load management program but recommends retaining the funds for use on other electric resource acquisition activities.

The Department proposes different year-by-year thermal-energy-and-process-fuel ("TEPF") budgets and recommends that TEPF performance savings targets be increased by 5% above those in Efficiency Vermont's DRP proposal.

The Department opposes Efficiency Vermont's proposed greenhouse gas QPI weighting and opposes the inclusion of the QPI in VEIC's annual performance compensation. The Department agrees with Efficiency Vermont that the minimum performance requirement for quantifying electric system benefits needs to be changed but recommends an alternative approach.

VPPSA

VPPSA and Efficiency Vermont signed a memorandum of understanding ("VPPSA MOU"). During the 2021-2023 performance period, a VPPSA MOU provided for the coordination between Efficiency Vermont and the VPPSA-member distribution utilities and committed to equitable service delivery among the customers of the distribution utilities. The MOU has been amended to develop strategies and procedures to improve coordination of service delivery to customers during the 2024-2026 performance period.

Public Comments

Green Mountain Power Corporation supports Efficiency Vermont's flexible load management program. Washington Electric Cooperative and Vermont Electric Cooperative, Inc. support Efficiency Vermont's DRP proposal, including the flexible load management program.

The Vermont Housing and Conservation Board, the Vermont Housing Finance Agency, Foodworks, Winston Prouty, Brattleboro Recreation and Parks Department and Senior Center, Vermont Council on Rural Development, Champlain Community Services, Evernorth, and Age Well are all community-based organizations that have partnered with Efficiency Vermont and separately filed comments supporting social equity energy efficiency investments. These organizations support having all Vermonters who pay the energy efficiency charge to have the opportunity to benefit from energy efficiency programs, even in cases where investments may not yield large electric savings. Evernorth states that energy equity should be prioritized and supports shifting the Efficiency Vermont framework to include equity as a goal on parity with that of the electric system benefits.

Mike Foote, a VEC customer, raises concerns about the energy efficiency charge and states that the efficiency charge on gross electric usage is sizable and provides a disincentive to move in the direction of all electric energy end uses.

Living Buildings requests consideration that the DRP include a pilot program that supports the testing, development, and implementation of regenerative building practices.

IV. EFFICIENCY VERMONT'S DEMAND RESOURCE PLAN

Section 209(d)(3)(B) provides the Commission with the following guidance for determining an energy-efficiency-charge-funded EEU budget:

The charge established by the Commission pursuant to this subdivision (3) shall be in an amount determined by the Commission by rule or order that is consistent with the principles of least-cost integrated planning as defined in section 218c of this title. As circumstances and programs evolve, the amount of the charge shall be reviewed for unrealized energy efficiency potential and shall be adjusted as necessary in order to realize all reasonably available, cost-effective energy efficiency savings. In setting the amount of the charge and its allocation, the Commission shall determine an appropriate balance among the following objectives; provided, however, that particular emphasis shall be accorded to the first four of these objectives: reducing the size of future power purchases; reducing the generation of greenhouse gases; limiting the need to upgrade the State's transmission and distribution infrastructure; minimizing the costs of electricity; reducing Vermont's total energy demand, consumption, and expenditures; providing efficiency and conservation as a part of a comprehensive resource supply strategy; providing the opportunity for all Vermonters to participate in efficiency and conservation programs; and targeting efficiency and conservation efforts to locations, markets, or customers where they may provide the greatest value.

In addition, 30 V.S.A. § 209(f) contains goals and criteria for the Commission to consider, including the impact of efficiency programs on retail rates.

The process for carrying out the budget review prescribed by statute is detailed in the Process and Administration Document. Section II.3.B.f. of the Process and Administration Document provides that a DRP proceeding “[s]hall be scheduled to occur in full every six years, with opportunities to re-assess DRP elements every three years unless otherwise authorized by the Commission.”

In the following sections, we address Efficiency Vermont’s DRP, including the resource-acquisition budgets, development and support services budgets, compensation structure, and performance goals. Our determination reflects a careful balancing of the substantial net societal benefits of energy efficiency investments with the rate and bill impacts that the electric energy efficiency charge will have on Vermont’s customers.

A. Budgets and Expected Savings Funded by the Energy Efficiency Charge

Total Budgets for the 2024-2026 Performance Period

1. For the 2024-2026 performance period, Efficiency Vermont proposes the following total budgets funded by the energy efficiency charge:

2024	2025	2026	Total
\$46,584,908	\$47,777,781	\$48,533,602	\$142,896,292

Exh. EVT-KJ-2.

2. The proposed 2024-2026 total budgets include resource acquisition, development and support services, a compensation structure, audit costs, fiscal agent costs, and evaluation costs.

Westman pf. (12/9/22) at 12-13; exh. EVT-KJ-2.

3. The proposed electric 2024-2026 budgets are a \$2,491,828 reduction compared to the 2024-2026 budgets approved in Case No. 19-3272-PET. The proposed annual budgets are based on the approved 2023 budgets adjusted by 2% inflation. Westman pf. (12/9/22) at 12-13; Johnson pf. (12/9/22) at 8-9; exh. EVT-KJ-2.

Electric Energy Savings Potential

4. The Department conducted a potential study to provide an objective third-party estimate of how much cost-effective energy efficiency potential is available in Vermont. The

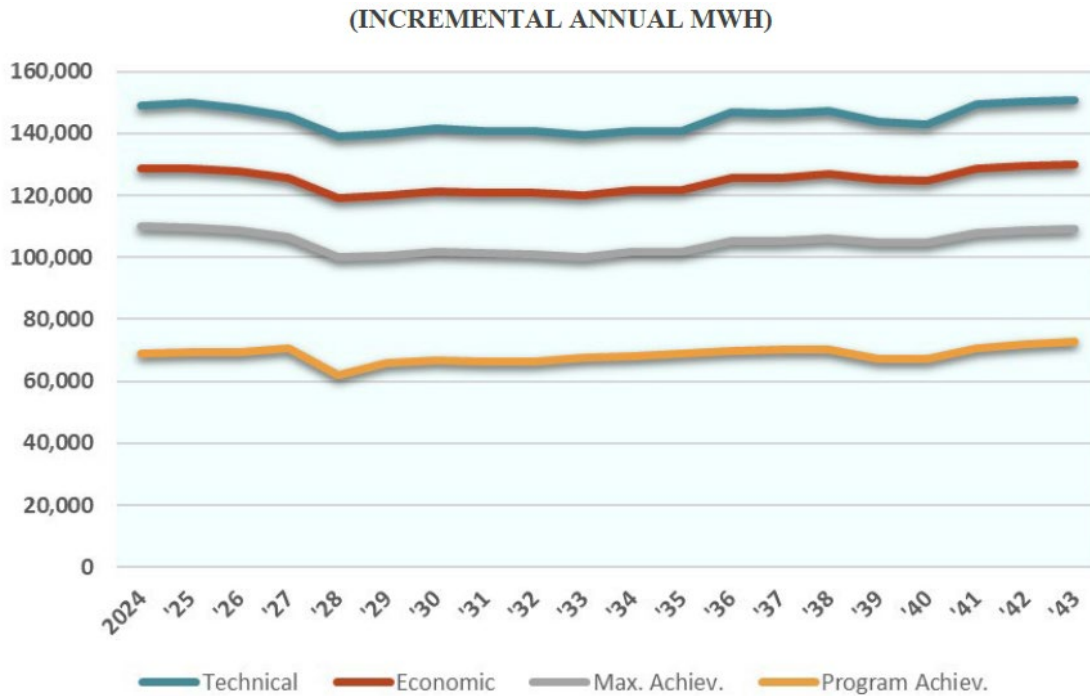
Department's potential study assesses four types of energy efficiency potential including technical potential, economic potential, and achievable potential. (This last category includes two types of potential: maximum achievable potential and program achievable potential.) Cotterill pf. (2/23/23) at 13-15.

5. Technical potential reflects the theoretical maximum amount of energy use that could be displaced by energy efficiency and disregards all non-engineering constraints, such as cost-effectiveness and the willingness of customers to adopt efficiency measures. Economic potential is a subset of technical potential. It considers the amount of technical potential that is economically cost-effective, but only includes the cost of the efficiency measures. Technical and economic potential are theoretical points of reference and are not intended to be implementable. Cotterill pf. (2/23/23) at 13-15.

6. Achievable potential considers real-world barriers to the adoption of efficiency measures. The maximum achievable potential scenario reflects the most aggressive programs that provide customers with incentive payments for the entire incremental cost of energy-efficient equipment. Although still cost-effective, the maximum achievable scenario would come at a high cost to ratepayers. The program achievable scenario reflects the efficiency potential of real-world policy considerations and incentives, as well as non-incentive program costs that are calibrated to historic levels. Cotterill pf. (2/23/23) at 13-15.

7. The program achievable scenario attempts to mimic some of the real-world considerations and constraints faced by efficiency program implementers. For example, this scenario includes certain assumptions about sector equity (low-income, residential funding allocations, small business, and geographic equity). Many of these sector-equity assumptions are consistent with an EEU's minimum performance requirements. Cotterill pf. (2/23/23) at 13-15.

8. The figure below provides the Department's estimate of the potential incremental annual MWh savings for the four potential study scenarios.



Cotterill pf. (2/23/23) at 16-18.

9. The Department’s assumptions for the potential study assume a sector spending split of 46% residential and 54% non-residential. In developing its DRP proposal, Efficiency Vermont assumes a split of 43% residential and 57% non-residential. Cotterill pf. (2/23/23) at 23-24.

10. The Department modeled the program achievable scenario assuming a sector spending split of 43% residential and 57% non-residential, which resulted in a net increase of 1,386 MWh in first-year savings and resulted in a total of 209,332 MWh in savings for the 2024-2026 performance period. Cotterill pf. (2/23/23) at 26.

11. The Department of Energy changes to lighting efficiency standards and Public Act No. 120 mercury ban of four-foot fluorescents, beginning in January 2024, will limit Efficiency Vermont’s ability to deliver prescriptive and midstream lighting programs for residential, commercial, and industrial customers in the 2024-2026 performance period. This means any allowable lighting projects performed at commercial and industrial facilities will be custom projects with fewer opportunities for Efficiency Vermont to claim energy savings. Westman pf. (12/9/22) at 10-11; Pilliod pf. (12/9/22) at 21.

Electric Resource-Acquisition Modeling

12. Efficiency Vermont conducted resource-acquisition modeling to determine its proposed electric budgets for the 2024-2026 performance period. The modeling provides a forecast of achievable energy efficiency based on a portfolio of programs, efficient technologies, and service delivery approaches offering cost-effective energy savings for residential, commercial, and industrial customers across Efficiency Vermont's service territory. Pilliod pf. (12/9/22) at 6-11.

13. Efficiency Vermont's electric resource-acquisition modeling uses a comprehensive "bottom up" approach (that is, building the model using individual measures) that includes more than 700 unique measures or technologies per year (e.g., cold climate heat pumps), spanning 13 end-use categories (e.g., space heat efficiency), and 12 different reporting categories (e.g., existing homes). Pilliod pf. (12/9/22) at 6-11; exh. EVT-JP-1 at 5-7.

14. The electric resource-acquisition modeling includes several input assumptions based on a combination of historical program performance, the energy efficiency potential study, existing residential and commercial building surveys, industry studies, and market intelligence gathered from customers, vendors, contractors, designers, and other key stakeholders. Measure characterizations are based on a combination of Technical Reference Manual values, experience from completed custom projects, estimates of savings based on engineering analysis, results of pilots or research-and-development projects, and the professional judgement of staff. Pilliod pf. (12/9/22) at 6-11; exh. EVT-JP-1 at 5-7.

15. The resource-acquisition modeling results include proposed electric QPI targets addressing total resource benefits, annual MWh savings, summer peak demand savings, winter peak demand savings, lifetime MWh savings, greenhouse gas reductions, and flexible load management. Pilliod pf. (12/9/22) at 6-11; exh. EVT-JP-1.

16. Challenges with inflation, supply chain (delays, outright lack of availability, and cost increases on limited supplies), and workforce availability have affected Efficiency Vermont in the current 2021-2023 performance period and are expected to continue into the near future. The measures, programs, and incentives in the modeling of the electric and TEPF DRP proposal reflect these impacts. Johnson pf. (12/9/22) at 15; Pilliod pf. (12/9/22) at 24.

17. Because of changes in federal standards and state requirements, the resource-acquisition modeling shows a decline in lighting measures that once occupied 50% of the electric portfolio. The modeling results show that 70% to 80% of annual MWh savings are projected from non-lighting projects. In the residential sector, Efficiency Vermont expects to capture additional savings from space heating, water heating, laundry, and refrigeration end-use technologies. In the commercial and industrial sectors, Efficiency Vermont proposes an expansion of industrial process, refrigeration (including refrigerant management), motors, air conditioning, and space heating. Westman pf. (12/9/22) at 25; Pilliod pf. (12/9/22) at 23-29; exh. EVT-JP-1.

18. The resource-acquisition modeling includes several new measures focused on addressing greenhouse gas emissions associated with the refrigerants used in compressed air dryers, cold climate heat pumps, and some insulation materials. Pilliod pf. (12/9/22) at 18-19; exh. EVT-JP-1.

Electric Resource-Acquisition Budgets

19. For the 2024-2026 performance period, Efficiency Vermont proposes the following electric resource-acquisition budgets funded by the energy efficiency charge (in real \$2024).

2024	2025	2026	Total
\$ 41,311,162	\$ 42,137,385	\$ 42,980,133	\$126,428,680

Pilliod pf. (12/9/22) at 22; exh. EVT-JP-1 at 5.

20. Because Efficiency Vermont's resource acquisition modeling is based on real \$2024, the electric resource acquisition budgets were modeled flat at \$41,311,162 (in 2024 dollars) for all 20 years. Pilliod pf. (12/9/22) at 22; exh. EVT-JP-1 at 5.

21. The Energy Savings Account ("ESA") program budgets for the 2024-2026 performance period are assumed to be \$1.4 million in 2024, increasing at 2% per year. This results in a total budget of approximately \$4.3 million over the 2024-2026 performance period. Westman pf. (12/9/22) at 21; Johnson pf. (12/9/22) at 7-8; exh. EVT-KJ-2.

22. The proposed electric resource-acquisition budgets do not include funds for the Customer Credit Program because there are no current participants or expected near-term future participants. Johnson pf. (12/9/22) at 7-8; exh. EVT-KJ-2.

23. Efficiency Vermont targets programs and services at all market segments for residential, commercial, and industrial customers. Services include technical assistance, incentives or rebates, financing support, supply chain development, and work with equipment manufacturers, distributors, retailers, and installers. Pilliod pf. (12/9/22) at 6-12; exh. EVT-JP-1.

24. The proposed electric resource-acquisition budgets include a 43% target for residential spending and 57% target for commercial and industrial spending. The proposed budgets also include a 12.1% target for low-income spending. Pilliod pf. (12/9/22) at 8-9.

25. The resource-acquisition budgets do not include any additional funding sources, including the American Rescue Plan Act (“ARPA”) or the Inflation Reduction Act of 2022, because of the uncertainty associated with these potential additional funding sources. The budgets also do not include activities related to Public Act No. 44, which extends, for the 2024-2026 performance period, the Act 151 legislation authorizing Efficiency Vermont to spend up to \$2 million per year of electric resource-acquisition budgets in support of programs, measures, and services that reduce greenhouse gas emissions in the thermal energy and transportation sectors. Pilliod pf. (12/9/22) at 33-34; exh. EVT-JP-1 at 1.

26. Efficiency Vermont’s proposed electric resource-acquisition budgets include a flexible load management program with spending of \$3,510,000 (\$3,580,668 nominal) over the 2024-2026 performance period. The flexible load management program will deliver load management services to residential and commercial customers in conjunction with Vermont’s distribution utilities and will include efforts to avoid regional network service charges and Forward Capacity Market peak costs. Pilliod pf. (12/9/22) at 31; Efficiency Vermont 2/9/23 Response to Department Information Requests at question 1.

27. The proposed electric resource-acquisition budgets include a refrigerant management program with spending of \$1,426,870 over the 2024-2026 performance period. The refrigerant management program will help customers to engage in projects aimed at reducing electric use and greenhouse gas emissions by providing technical and financial support related to the proper management of refrigerants. Exh. EVT-JP-1 at 38-40.

28. The approved fiscal year 2024 State budget directs \$700,000 of Vermont Agency of Natural Resources (“ANR”) funds for a refrigerant management initiative. Efficiency Vermont proposes that up to \$350,000 in matching funds from the electric resource-acquisition budgets be

used to enhance the ANR-funded initiative that creates opportunities for monitoring, repair, and replacement of refrigerant-containing equipment. In the absence of the ANR funds, Efficiency Vermont proposes a total of only \$350,000 to be allocated to this market segment, with remaining refrigerant management funds being allocated across the residential and commercial sectors. Westman pf. reb. (5/11/23) at 5-6; Cotterill pf. (2/23/23) at 29-30; H. 494 (Act 78) passed June 23, 2023.

29. For the 2024-2026 performance period, the Department proposes total resource-acquisition budgets funded by the energy efficiency charge of \$125,728,680. The Department's recommendation reduces Efficiency Vermont's proposal by \$700,000 to reflect that the approved 2024 State budget directs this amount for a refrigerant management initiative. The Department understands that ANR and Efficiency Vermont will enter into an agreement in 2023 to begin spending those funds and producing benefits in 2024. Cotterill pf. (2/23/23) at 29-30; exh. DPS-BC-1 (revised).

30. The Department proposes reducing Efficiency Vermont's flexible load management budgets by \$1,224,160 and redirecting the funds to acquire energy savings through other resource-acquisition activities. Bailey pf. (2/23/23) at 15.

31. Beginning in 2027, Efficiency Vermont's electric resource-acquisition budgets are based on the initial modeling and then increase by the rate of inflation (assumed at 2%) for the remaining 17 years. Johnson pf. (12/9/22) at 8-9; exh. EVT-KJ-2.

32. Efficiency Vermont proposes the following resource-acquisition budgets funded by the energy efficiency charge for the remaining 2027-2043 period (real \$2024) (along with finding 19, resulting in 20-year resource-acquisition budgets).

Year	Budgets		Year	Budgets
2027	\$43,839,735		2036	\$52,392,543
2028	\$44,716,530		2037	\$53,440,393
2029	\$45,610,861		2038	\$54,509,201
2030	\$46,523,078		2039	\$55,599,385
2031	\$47,453,540		2040	\$56,711,373
2032	\$48,402,610		2041	\$57,845,600
2033	\$49,370,663		2042	\$59,002,512

2034	\$50,358,076		2043	\$60,182,563
2035	\$51,365,237			

Exh. EVT-KJ-2.

Resource-Acquisition Savings

33. Efficiency Vermont's proposed electric resource-acquisition budgets are expected to result in 192,400 MWh savings, 20,800 kW of summer peak savings, and 27,900 kW of winter peak savings over the 2024-2026 performance period. Pilliod pf. (12/9/22) at 12; exh. EVT-JP-1 at 2-3.

34. Energy efficiency charge funds will not be dedicated to the ESA pilot program during the 2024-2026 performance period. Because the future ESA program remained uncertain when the resource-acquisition modeling was conducted, Efficiency Vermont took a conservative approach to modeling the program and updates may be needed to better reflect program participation. Efficiency Vermont intends to use a formulaic adjustment to reflect the savings from the ESA program and file the adjusted savings as part of its DRP compliance filing. Westman pf. (12/9/22) at 21; Cotterill pf. (2/23/23) at 11; exh. EVT-DW-2.

35. Efficiency Vermont's proposed electric efficiency programs are expected to result in greenhouse gas reductions of approximately 128,600 metric tons CO₂e over the 2024-2026 performance period. Pilliod pf. (12/9/22) at 12; exh. EVT-JP-1 at 2-3.

36. Efficiency Vermont's proposed refrigeration programs (including refrigerant management) are expected to result in approximately 5,900 to 6,600 MWh of annual savings over the 2024-2043 period for the commercial and industrial sector and approximately 1,000 MWh of annual savings in the residential sector. Pilliod pf. (12/9/22) at 12; exh. EVT-JP-1 at 17 and 27.

37. Efficiency Vermont's proposed flexible load management program is expected to result in peak savings of 3,500 kW over the 2024-2026 performance period. Pilliod pf. (12/9/22) at 12; exh. EVT-JP-1 at 2-3.

38. The Department's proposal to redirect approximately \$1.2 million of the proposed flexible load management program toward other resource acquisition savings is expected to result in approximately 1,956 MWh of additional savings and a commensurate amount of lifetime MWh savings, summer and winter peak demand reductions, and total resource benefits.

This estimate assumes savings are achieved at a similar portfolio production cost as the Efficiency Vermont modeling plus 5% to the QPI target, which is \$613/MWh (that is, \$1.2 million divided by performance production cost of \$613/MWh equals 1,956 first-year MWh). Cotterill pf. (2/23/23) at 31; Pilliod pf. reb. (5/11/23) at 5; exh. EVT-JP-1.

39. The Department recommends adjusting Efficiency Vermont’s expected savings for the electric portfolio and associated performance targets by an additional 2,016 MWh to reflect a level that is consistent with the program achievable scenario in the potential study. Along with adjustments proposed for the flexible load management program, this will increase the expected savings to 206,000 MWh for the 2024-2026 performance period. The Department’s proposal is 320 MWh greater than the mid-point between Efficiency Vermont’s proposed performance target of 202,027 MWh and the program achievable scenario’s expected savings of 209,332 MWh. Cotterill pf. (2/23/23) at 31-32.

40. The Department’s proposed changes to Efficiency Vermont’s proposed resource-acquisition budgets and expected savings reduce the production cost of the electric portfolio to \$599/MWh, which is \$14/MWh lower than Efficiency Vermont’s production cost of \$613/MWh. Cotterill pf. (2/23/23) at 31-32.

41. Efficiency Vermont’s proposed resource-acquisition budgets funded by the energy efficiency charge are expected to result in the following annual MWh savings and summer and winter peak kW savings over the 2024-2043 period (20-year expected savings).

Year	Annual MWh	Summer Peak kW	Winter Peak kW
2024	63,904	6,981	9,266
2025	64,206	6,962	9,311
2026	64,297	6,900	9,346
2027	64,823	6,708	9,357
2028	63,880	6,445	9,384
2029	64,470	6,413	9,519
2030	63,480	6,315	9,418
2031	64,598	6,446	9,455
2032	64,361	6,437	9,420
2033	63,783	6,390	9,385

2034	64,043	6,465	9,392
2035	63,624	6,386	9,337
2036	63,094	6,332	9,294
2037	63,544	6,413	9,331
2038	63,387	6,393	9,313
2039	62,998	6,347	9,272
2040	63,755	6,452	9,350
2041	63,687	6,430	9,345
2042	63,141	6,388	9,302
2043	63,693	6,474	9,367

Pilliod pf. (12/9/22) at 12; exh. EVT-JP-1.

Electric Development and Support Services Budgets

42. Development and support services activities do not directly result in efficiency savings but represent valuable aspects of energy efficiency service delivery and development, and include activities such as general administration, information systems, planning and reporting, and education and training. Johnson pf. (12/9/22) at 16; exh. EVT-KJ-4.

43. Efficiency Vermont's DRP proposal includes budget assumptions and narratives for its development and support services activities. The development and support services activities are designed to: (a) build customer awareness, knowledge, and motivation regarding energy use reduction; (b) support efforts to shape energy efficiency policies; (c) provide necessary support for Efficiency Vermont's operations; and (d) identify approaches for service development, delivery, and improvement. Johnson pf. (12/9/22) at 16; exh. EVT-KJ-4.

44. For the 2024-2026 performance period, Efficiency Vermont proposes electric development and support services budgets of \$9,395,800. Johnson pf. (12/9/22) at 16-17; exh. EVT-KJ-4.

45. Efficiency Vermont proposes the following electric development and support services budgets by category for the 2024-2026 performance period:

	2024	2025	2026
Education and Training	\$399,003	\$407,960	\$418,161
Applied Research and Development	\$272,443	\$275,346	\$278,414

Planning and Reporting	\$308,022	\$595,145	\$478,704
Evaluation	\$392,451	\$369,644	\$377,108
Administrative and Regulatory Affairs	\$452,994	\$462,034	\$409,784
Information Systems	\$1,143,183	\$1,166,073	\$1,189,378
Total	\$2,968,100	\$3,276,200	\$3,151,500

Johnson pf. (12/9/22) at 16-17; exh. EVT-KJ-2; exh. EVT-KJ-3.

46. Efficiency Vermont’s proposed development and support services budgets include certain costs related to Renewable Energy Standard (“RES”) Tier 3 planning and reporting.

Johnson pf. (12/9/22) at 16-18; exh. EVT-KL-4.

47. Efficiency Vermont proposes including a new equity initiative under the applied research and development category of the development and support services budgets in conjunction with complimentary resource-acquisition incentives. The equity initiative will target engagement and outreach efforts to marginalized and/or underserved populations in Vermont to advance equity more effectively in the delivery of efficiency services. Lucci pf. (12/9/22) at 16-19; Pilliod pf. (12/9/22) at 33; exh. EVT-KL-4.

48. The proposed equity initiative will inform: the communities on whom Efficiency Vermont focuses future equity efforts; the design and piloting of resource-acquisition programs that ameliorate barriers and/or better serve communities’ needs; the quantification of incentive and non-incentive programmatic resources needed to scale equity efforts; and the development or revision of metrics to track Efficiency Vermont’s performance on equity. Lucci pf. (12/9/22) at 16-17.

49. Efficiency Vermont will track the equity initiative’s activities and spending to garner feedback on potential equity metrics and other structural changes that can be made to support equity in the future. The initiative will include a 2025 interim and 2026 final report on findings, including a summation of feedback, research/analysis, recommendations on metrics, and other opportunities to fully embed equity principles into resource-acquisition activities in the 2027-2029 performance period. Lucci pf. of 12/9/2022 at 22; Johnson pf. (12/9/22) at 18.

50. For the 2024-2026 performance period, the Department supports the electric development and support services budgets proposed by Efficiency Vermont. Exh. DPS-BC-1 (revised).

51. The Department recommends that Efficiency Vermont’s equity initiative strive to examine and identify the barriers associated with investing 100% or more of this sector’s contribution to the energy efficiency charge. Before the next DRP, the Department anticipates exploring new ways to measure success in the equity area, including the potential for an equity-related QPI to provide an incentive for targeted performance. Cotterill pf. (2/23/23) at 35.

52. The Department recommends that the public affairs category in the development and support services budgets include guidelines for when costs related to legislative work are billed to Efficiency Vermont versus VEIC. Efficiency Vermont proposes to collaborate with the Department to develop proposed public affairs guidelines that would be filed for Commission approval. Westman pf. reb. (5/11/23) at 10; Launder pf. (2/23/23) at 6.

53. Efficiency Vermont proposes the following development and support services budgets funded by the energy efficiency charge for the remaining 2027-2043 period (along with finding 45, resulting in 20-year development and support services budgets).

Year	Budgets		Year	Budgets
2027	\$3,212,400		2036	\$3,838,800
2028	\$3,560,900		2037	\$4,255,800
2029	\$3,419,900		2038	\$4,087,200
2030	\$3,409,000		2039	\$4,073,900
2031	\$3,778,900		2040	\$4,516,400
2032	\$3,629,300		2041	\$4,337,300
2033	\$3,617,500		2042	\$4,323,300
2034	\$4,010,300		2043	\$4,792,600
2035	\$3,851,500			

Exh. EVT-KJ-3.

Cost of Energy Savings

54. The table below provides the cost of energy saved for other New England programs. The average cost of energy saved across New England programs is \$1,051 per MWh, which excludes Efficiency Vermont’s estimate under its electric efficiency DRP proposal.

New England Energy Efficiency Programs	\$/MWh
Connecticut – Eversource and United Illuminated	1,171

Maine – Efficiency Maine	310
Massachusetts – Utility Program Administrators	1,930
New Hampshire – State and utility programs	781
Rhode Island – National Grid	1,062
Average	1,051

Pilliod pf. (12/9/22) at 39-41.

55. Efficiency Vermont’s proposed electric budgets for 2024-2026 performance period are estimated to result in a cost of energy saved of \$761 per MWh. This value is \$290 per MWh lower than the average cost of energy saved across New England programs. The cost of energy saved under Efficiency Vermont’s electric DRP, with or without the Department’s proposed adjustments, is comparable to other programs. Pilliod pf. (12/9/22) at 39-41.

Rate and Bill Impacts

56. The potential study includes a spreadsheet-based rate and bill tool. The calculator is intended to provide the rate and bill impacts of different budget proposals. Cotterill pf. (2/23/23) at 15-16; Picotte pf. (2/23/23) at 2-5.

57. Rate and bill impact forecasts are imprecise. However, they are useful tools that indicate the direction and relative magnitude of ratepayer impacts by customer class. Picotte pf. (2-23-23) at 2-5.

58. Efficiency Vermont used the calculator to assess the rate and bill impacts of its budget proposal. The tool assesses impact by customer class (residential and commercial-industrial) and by participants and non-participants in energy efficiency programs. Picotte pf. (2/23/23) at 2-5.

59. Under Efficiency Vermont’s proposed budgets, utility rates across all customer classes over the study period (2024-2043) are projected to be 3.0% higher when modeled relative to a baseline without future investment in efficiency. Conversely, customer bills (average across all customer classes) are projected to be 7.6% lower if the efficiency investments are implemented. Pilliod pf. (12/9/22) at 37-39; exh. EVT-JP-1 at 45-46.

60. Efficiency Vermont’s proposal is expected to result in average 20-year rate and bill impacts as indicated in the following table.

Customer Class	Rate Impacts	Bill Impacts Non-Participants	Bill Impacts Participants
Residential	5.0%	4.8%	-5.7%
Commercial & Industrial (no demand charge)	2.5%	2.0%	-8.2%
Commercial & Industrial (demand charge)	1.0%	0.4%	-9.6%
All Customers	3.0%	2.6%	-7.6%

Pilliod pf. (12/9/22) at 37-39; exh. EVT-JP-1 at 45-46.

61. Under Efficiency Vermont's proposed budgets, the average annual 20-year bill impact, presented in dollars, for participants and non-participants by customer class is presented in the following table.

Customer Class	Bill Impacts Non-Participants	Bill Impacts Participants
Residential	\$83	-\$98
Commercial & Industrial (no demand charge)	\$35	-\$141
Commercial & Industrial (demand charge)	\$125	-\$2,279

Picotte pf. (2/23/23) at 6-8.

62. Budgets based on the Department's potential study scenario are expected to result in average 20-year rate and bill impacts as indicated in the following table.

Customer Class	Rate Impacts	Bill Impacts Participants	Bill Impacts Participants
Residential	4.9%	-5.1%	-\$99
Commercial & Industrial (no demand charge)	2.4%	-8.8%	-\$142
Commercial & Industrial (demand charge)	0.8%	-10.1%	-\$2,762

Picotte pf. (2/23/23) at 6-8.

Other Benefits and Savings

63. Efficiency Vermont's DRP proposal calls for the delivery of a coordinated set of efficiency programs and customer services. These programs and services are designed to help Vermont achieve its goal of realizing all reasonably available, cost-effective energy efficiency savings while balancing the other goals and policies established for the administration of the statewide EEU. Weston pf. (12/9/22) at 19; exh. EVT-JP-1; exh. DPS-1.

64. Efficiency Vermont's programs and services in its DRP proposal have been modeled and determined to be societally cost-effective based on application of the avoided costs and

screening values contained in Vermont state screening tools. The DRP proposal should result in the delivery of least-cost efficiency services as described in 30 V.S.A. § 218c(a)(1). Weston pf. (12/9/22) at 19; exh. EVT-JP-1.

65. Efficiency Vermont's budget proposal will result in approximately 2,507,000 MWhs in reduced power purchases over the life of the projects (i.e., net lifetime MWhs). These electric efficiency investments will acquire energy and demand resources at a lower lifetime price to ratepayers than most power supply alternatives that distribution utilities need to acquire. Efficiency Vermont's budget proposal will reduce the size of future power purchases and substantially mitigate increases in load. Pilliod pf. (12/9/22) at 22; exh. EVT-JP-1.

66. Efficiency Vermont's budget proposal will reduce the generation of greenhouse gases. The budget proposal is expected to result in approximately 871,450 of reduced greenhouse gas emissions in metric tons CO₂e over 20 years, measured as a function of both reduced power generation and reduced emissions from leaking refrigeration systems. Pilliod pf. (12/9/22) at 22; exh. EVT-JP-1.

67. Efficiency Vermont's budget proposal will significantly reduce both local and regional infrastructure costs and limit the need to upgrade the state's transmission and distribution infrastructure. Efficiency investments also help keep Vermont's peak load below infrastructure capacity. The budget proposal will help avoid transmission and distribution costs. Pilliod pf. (12/9/22) at 22; exh. EVT-JP-1.

68. Efficiency Vermont's budget proposal will minimize the costs of electricity by avoiding wholesale energy and capacity costs and avoiding transmission and distribution costs. The proposed budgets and associated savings are cost effective and provide societal benefits to energy efficiency customers, ratepayers, and distribution utilities. Efficiency Vermont's proposed programs and services are expected to reduce the average customer's bills by 7.6% over 20 years. Pilliod pf. (12/9/22) at 42; exh. EVT-JP-1.

69. Efficiency Vermont's DRP proposal will reduce Vermont's total energy demand, consumption, and expenditures. The proposed budgets are expected to result in approximately 192,400 MWh of savings, 20,800 kW of peak summer savings, 27,900 kW of peak winter savings, and \$184,022,700 of total resource benefits during the 2024-2026 performance period. Pilliod pf. (12/9/22) at 22; exh. EVT-JP-1.

70. Efficiency Vermont's budget proposal will provide efficiency and conservation as a part of a comprehensive resource supply strategy. Efficiency Vermont's DRP includes operating assumptions for 20-year electric budgets and savings goals that can be used in utility integrated resource planning, transmission planning, and the State's Comprehensive Energy Plan. Efficiency Vermont has coordinated, and is expected to continue to coordinate, with distribution utilities in these areas as well as with RES Tier 3 programs and flexible load management programs. Pilliod pf. (12/9/22) at 22-36; exh. EVT-JP-1.

71. Efficiency Vermont's budget proposal will provide the opportunity for all Vermonters to participate in efficiency and conservation programs. The budget proposal includes a new equity initiative and a comprehensive suite of minimum performance requirements ensuring equity of EEU services across all incomes, service classes, geographic regions, and utility territories. Pilliod pf. (12/9/22) at 22-36; exh. EVT-JP-1.

72. Efficiency Vermont's budget proposal will target efficiency and conservation efforts to locations, markets, or customers where they may provide the greatest value. The budget proposal is a comprehensive suite of programs, measures, and operations to ensure both timely deployment of statewide services and targeted, community-specific marketing, education, and outreach. The QPI structure sets out a framework of targets that effectively balances priorities, encouraging the placement of efforts where they are providing the most value. Pilliod pf. (12/9/22) at 22-36; exh. EVT-JP-1.

73. Section 581 of Title 10 Vermont Statutes Annotated contains goals aimed at improving the energy fitness of Vermont's housing stock, reducing residential annual fuel needs and fuel bills, reducing fossil fuel consumption across all building types, and increasing weatherization services to low-income Vermonters. Efficiency Vermont's proposed budgets are based on a portfolio of efficiency programs that will contribute to progress in meeting the Section 581 goals. Pilliod pf. (12/9/22) at 23-25; exh. EVT-JP-1.

Discussion

For the 2024-2026 performance period, we approve Efficiency Vermont's proposed resource-acquisition budgets using energy efficiency charge funds subject to the adjustments discussed below, which are in part based on recommendations from the Department. In addition, we approve Efficiency Vermont's proposed electric development and support services budgets.

For the 2024-2026 performance period, the approved electric resource-acquisition budgets are \$126,078,680, and the development and support services budgets are \$9,395,800. Below, we provide detail on our conclusions and address outstanding areas of disagreement between the parties.

2024-2026 Electric Resource-Acquisition Budgets

Efficiency Vermont conducted resource-acquisition modeling to determine its proposed electric efficiency budgets for the 2024-2026 performance period. The modeling uses a comprehensive “bottom up” approach and includes input assumptions based on historical program performance, the energy efficiency potential study, and market studies and intelligence. Efficiency Vermont’s proposal recognizes challenges with inflation, supply chain, and workforce availability that have affected the current 2021-2023 performance period and are expected to continue into the near future. In addition, Efficiency Vermont conducted a rate and bill analysis of the proposed budgets, concluding that customer bills would be significantly reduced (on average approximately 7.6%) over the lifetime of the proposed investments.

The Department generally supports the proposed electric resource-acquisition budgets but advocates for changes to portions of the budgets directed at refrigerant management and flexible load management. Efficiency Vermont proposes to continue its refrigerant management program from the 2021-2023 performance period. The Department states that the 2024 State budget includes \$700,000 for a refrigerant management initiative.⁸ The Department proposes to reduce the 2024-2026 resource-acquisition budgets by \$700,000 commensurate with the 2024 State budget funding.⁹ Efficiency Vermont argues that it is premature to consider budget reductions because the details of the additional State funding have yet to be determined. In addition, Efficiency Vermont proposes that up to \$350,000 in matching funds from the electric resource-acquisition budgets be used to enhance the ANR-funded initiative. In the absence of the ANR funds, Efficiency Vermont proposes that only \$350,000 be allocated to this portion of its refrigerant management program.¹⁰

⁸ Department Brief at 26; Department Reply Brief at 1-2; *see also* H. 494 (Act 78) passed June 23, 2023.

⁹ Department Brief at 26-27; Department Reply Brief at 9-12; exh. DPS-BC-1(revised).

¹⁰ Efficiency Vermont Brief at 87-89.

We accept in part the Department's recommended changes to the refrigerant management budgets and approve reducing the budgets by \$350,000. The approved 2024 State budget includes a \$700,000 appropriation to ANR for a refrigerant management initiative. The parties expect ANR and Efficiency Vermont to enter an agreement to spend these funds and begin delivering benefits in 2024. However, Efficiency Vermont's proposed budgets, modeling of resource-acquisition savings, and agreement with ANR assume the use of \$350,000 for the ANR-funded initiative. A reduction of \$700,000 might jeopardize achieving the modeled energy savings for other portions of the refrigerant management program that assume the use \$350,000 of budgeted funds. Efficiency Vermont, therefore, is directed to file a status report with the Commission if the details of the ANR agreement change and a different amount of electric resource-acquisition budgets are dedicated to the ANR-initiative. If a report is made, the Commission will determine if any changes are needed to Efficiency Vermont's approved resource-acquisition budgets.

The Department supports continued investment in flexible load management but recommends a continued restricted budget that is scaled back by approximately one third from Efficiency Vermont's proposal. The Department recommends that the reduction be transferred to traditional resource-acquisition programs to acquire additional savings and benefits.¹¹ The Department contends that its proposal to reduce the flexible load management program is supported by the fact that there are significant unspent funds from the 2021-2023 performance period. The Department notes that Efficiency Vermont's 2022 budget variance report confirms \$891,205 of underspending in the flexible load management budgets for the 2021-2023 performance period.¹² In addition, the Department states that it is deploying \$7 million in ARPA funding for load management and storage efforts and load management platforms for smaller municipal and cooperative utilities.¹³ Under the ARPA funding, distribution utilities may work with eligible vendors, including Efficiency Vermont. The Department maintains that ARPA funds have the capacity to meet several flexible load management needs for multiple years, reducing the need to collect the energy efficiency charge to support the same efforts.¹⁴

¹¹ Department Brief at 28-29.

¹² Department Brief at 34; Department Reply Brief at 2; Cotterill pf. sur. reb. (3/15/23) at 8.

¹³ Bailey pf. (2/23/23) at 15.

¹⁴ Department Brief at 28-34.

The Department argues that the flexible load management activities continue to be carried out under restricted budgets because the assessment and evaluation activities needed to ensure maximum ratepayer benefit will not be completed during the 2021-2023 performance period. The Department proposes three activities to assess ratepayer value for the 2024-2026 performance period: 1) identification of a methodology for quantifying the benefits; 2) articulation of the roles and responsibilities regarding deployment for distribution utilities and the efficiency utilities; and 3) evaluation of flexible load management potential for Vermont.¹⁵ The Department states that its recommendation is consistent with the Commission's previous decision "that a cap is appropriate until a formal, state-wide flexible load management potential study has been conducted."¹⁶ The Department states that it is currently working on an assessment of flexible load management opportunity in the state that could lay the groundwork for a formal potential study.¹⁷ Further, the Department recommends that the Commission open a new proceeding following the completion of the DRP proceeding to convene a flexible load management working group. The Department proposes that the working group include participation by the distribution utilities, the EEU's, the Department, and VELCO to identify and work towards consensus on flexible load management needs, goals, and outcomes for Efficiency Vermont to pursue at the statewide level.¹⁸

Efficiency Vermont supports its flexible load management budgets as proposed, not as restricted budgets. Efficiency Vermont notes that its flexible load management program is supported by GMP, WEC, VEC, and in the VPSSA MOU. Efficiency Vermont maintains that its proposal will help distribution utilities pursue savings that can reduce both system and circuit peak demands, and avoid lost opportunities as Efficiency Vermont works with customers.¹⁹ Efficiency Vermont maintains that the Department's proposal to reduce the flexible load management budgets is premature because the Department has yet to allocate load management grant funding and it is not known if any of the grant funding will be allocated for projects equivalent to those proposed under Efficiency Vermont's load management program.²⁰

¹⁵ Department Brief at 28-34.

¹⁶ Case No. 19-3272-PET, Order of 10/ 22/20 at 21.

¹⁷ Department Brief at 28-34.

¹⁸ Department Brief at 28-24; Bailey pf. (2/23/23) at 19-20.

¹⁹ Efficiency Vermont Reply Brief at 5-6.

²⁰ Efficiency Vermont Reply Brief at 5-6.

We approve the continued implementation of the flexible load management program but adopt the Department's proposed budget reductions of \$1.2 million. In addition, we adopt the Department's recommendation that flexible load management activities be subject to a total restricted budget that cannot be reallocated to other EEU activities without prior Commission approval. Given the unspent funds from the 2021-2023 performance period and given that an assessment of flexible load management opportunity in the state has not been completed, we conclude that it is appropriate to limit the spending under the flexible load management program. We also approve the recommendation supported by the Department and Efficiency Vermont to open a new proceeding to convene a flexible load management working group. The working group will be directed to address the three activities identified by the Department to assess ratepayer value: (1) identification of a methodology for quantifying the benefits; (2) articulation of the roles and responsibilities regarding deployment for distribution utilities and the efficiency utilities; and (3) evaluation of flexible load management potential for Vermont. Further, we recognize that the Department has yet to allocate load management ARPA grant funding and it is not known if any of the grant funding will be allocated for projects equivalent to those proposed under Efficiency Vermont's load management program. Efficiency Vermont may seek adjustments in its flexible load management budgets or performance goals following allocation of the ARPA grant funding.

In summary, we conclude that Efficiency Vermont's proposed resource-acquisition budgets, subject to the adjustments directed by this Order, are consistent with applicable statutory considerations pursuant to Sections 209(d)(3)(B) and 209(f). The approved resource-acquisition budgets will ensure that Efficiency Vermont is able to continue offering programs and services that can result in all reasonably available, cost-effective savings while minimizing the potential for adverse rate and bill impacts. Further, we conclude that the approved resource-acquisition budgets will reduce the size of future power purchases, will reduce the need for transmission and distribution investments, and will minimize the costs of electricity.

We recognize that our approval of the resource-acquisition budgets may require future updates to reflect Act 44 and the appropriation of load-management-related ARPA funds. Act 44 extends, for the 2024-2026 performance period, the programs authorized under Act 151 that allow the reallocation of energy efficiency charge spending in the previously approved resource-

acquisition budgets to implement transportation and heating sector programs. Therefore, within 30 days of today's Order, Efficiency Vermont, working with Department, is directed to file a status update and procedural recommendations, as appropriate, addressing any budget revisions that may result from Act 44 and the appropriation of load-management-related ARPA funds.

2024-2026 Electric Development and Support Services Budgets

The Department and Efficiency Vermont agree on the development and support services budgets for the 2024-2026 performance period. Based on our review of Efficiency Vermont's budget assumptions and narratives, we find the proposed development and support services budget assumptions and funding levels to be reasonable. The proposed development and support services activities represent valuable aspects of service delivery and development even though the activities may not directly result in energy efficiency savings. The proposed development and support services budgets reflect the level of funding needed to support the resource-acquisition activities and budgets approved for the 2024-2026 performance period. We approve both the budget categories and the spending amounts within each category (see finding 45).

Efficiency Vermont's proposal includes a new equity initiative designed to serve marginalized and disadvantaged Vermont residents. Efficiency Vermont states that it proposes the new initiative in response to stakeholder feedback that equity should be a top priority for Efficiency Vermont. The equity initiative furthers traditional energy efficiency policies including 30 V.S.A. § 209(f)(4), which calls on the Commission to promote program initiatives and market strategies that address the needs of persons "facing the most significant barriers to participation."²¹ The initiative also furthers the objectives of Public Act No. 154 (S.148), effective May 31, 2022, that establishes an environmental justice policy for the State of Vermont and requires State agencies to incorporate environmental justice into their work, rules, and procedures.²²

Efficiency Vermont's development and support services budgets include core business software applications. According to Efficiency Vermont, these budgets reflect the current level of effort associated with core business software activities, including costs of shared savings

²¹ Efficiency Vermont Brief at 8 and 89-94.

²² Efficiency Vermont Brief at 8 and 89-94.

allocations for Tier 3 and like programs.²³ The Department argues that the portion of these costs related to shared savings agreements with distribution utilities should not be part of the development and support services budgets, but instead should be billed directly to the distribution utilities. The Department states that although this may not result in direct cost savings to ratepayers, it will ensure that costs incurred for Tier 3 are accurately accounted for and reported by the distribution utilities and will ensure equity among the distribution utilities for services received by Efficiency Vermont.²⁴

We determine that it is acceptable for these RES Tier 3 costs to be left in the development and support services budgets, as proposed by Efficiency Vermont. This approach is consistent with the Commission-approved practice for previous performance periods.²⁵ We note that Efficiency Vermont annually negotiates program designs, shared savings agreements, and memoranda of understanding for scope of work with the distribution utilities for Tier 3.²⁶ We direct Efficiency Vermont when it enters these negotiations with the utilities to consider methods to account for and report these costs to address the Department's equity concern.

While generally supporting the proposed development and support service budgets for the 2024-2026 performance period, the Department states that it plans to conduct a review of the entire information systems category of the development and support services budgets, which accounts for almost 40% of the budgets. The Department contends that there may be items in this category that result in direct energy savings and therefore should be included in resource-acquisition budgets.²⁷ This review will include the subcategories concerning core business software applications and utility management systems. The Department notes that its proposed review is guided by recommendations made in the Overall Performance Assessment proceeding (Case No. 21-1500-PET), in which the Department's consultant recommended further investigation into VEIC's indirect rate.²⁸ The Department states that its review will include discussions with Efficiency Vermont outside of the DRP process and that it will propose

²³ Exh. EVT-KJ-4 at 29.

²⁴ Launder pf. (2/23/23) at 5.

²⁵ See Case 19-3272-PET, Order of 10/22/20 at 14 and 21-22.

²⁶ Exh. EVT-KJ-4 at 18.

²⁷ Launder pf. (2/23/23) at 5-6.

²⁸ Launder sur. reb. pf. (6/2/23) at 2.

additional changes for shifting funds from development and support services to resource acquisition, if necessary.

We adopt the Department's proposal to review the information systems category of Efficiency Vermont's development and support services budgets. As recommended by the Department, we direct that the review of the information systems category include a status update due by February 14, 2024, and final recommendations due by June 14, 2024.

Efficiency Vermont agrees to collaborate with the Department to develop proposed public affairs guidelines for when costs related to legislative work should be billed to Efficiency Vermont rather than VEIC. Within 90 days of today's Order, Efficiency Vermont is directed to file proposed public affairs guidelines for Commission approval.

Expected Savings for the 2024-2026 Performance Period

We approve the expected savings for Efficiency Vermont's proposed electric portfolio for the 2024-2026 performance period, subject to modifications that reflect the expected savings from the ESA program and some of the Department's recommendations.

Because the future ESA program remained uncertain when the resource-acquisition modeling was conducted, Efficiency Vermont adopted a conservative approach to modeling the ESA program that may have not have accurately captured program participation and thus the expected savings from the program. The Department and Efficiency Vermont agree that a formulaic adjustment can be made to the electric savings portfolio to reflect the expected savings from the ESA program.²⁹ In addition, the approved budgets redirecting approximately \$1.2 million of the flexible load management program toward other resource acquisition activities will increase the expected savings for the electric portfolio by approximately 1,956 MWh for the 2024-2026 performance period.³⁰ Within 30 days of the issuance of today's Order, Efficiency Vermont is directed to file any revisions to expected savings to reflect the ESA program and the redirection of funds from the flexible load management program.

The Department recommends adjusting Efficiency Vermont's expected savings for the electric portfolio and associated performance targets by an additional 2,016 MWh, to reflect a level that that is consistent with the program achievable scenario in the potential study. Along

²⁹ Efficiency Vermont Brief at 109-110; Efficiency Vermont Reply Brief at 20.

³⁰ Cotterill pf. (2/23/23) at 31; Pilliod reb. pf. (5/11/23) at 5.

with adjustments proposed for the flexible load management program, this will increase the expected savings to 206,000 MWh for the 2024-2026 performance period.³¹ The Department argues that this adjustment will further optimize Efficiency Vermont's portfolio and deliver savings at a production cost that is closer to the Department's program achievable scenario.³² Efficiency Vermont argues that its resource-acquisition modeling does not support the additional expected savings within the limits of the proposed budgets and understanding of current market conditions.³³ Efficiency Vermont contends that its portfolio pursues a variety of initiatives and the requirement for additional savings will make it harder for Efficiency Vermont to serve customers with higher barriers that limit their ability to implement cost-effective measures and technologies.³⁴

We decline to adopt the Department's recommendation to add 2,016 MWh of expected savings to the electric portfolio and performance targets. Although the potential study's program achievable scenario forecasts greater savings, Efficiency Vermont's resource-acquisition modeling includes different market conditions and initiatives to serve harder-to-reach customers, including a new equity initiative with complementary resource-acquisition incentives, that create challenges to achieve additional savings. In addition, as discussed further below, the electric performance metrics include a 5% stretch goal that results in additional expected savings and creates incentives for Efficiency Vermont to innovate and optimize its efficiency portfolio.

20-Year Budgets and Expected Savings

As required by the Process and Administration document, Efficiency Vermont's DRP includes proposed resource-acquisition budgets, development and support services budgets, and expected efficiency savings over a 20-year horizon for activities funded by the energy efficiency charge. The 20-year budgets and expected savings will serve as a planning tool to assess the effect of future efficiency programs and measures. In particular, the expected savings inform other Vermont utilities' planning efforts with respect to power purchases and transmission and distribution system investments.

³¹ Department Brief at 36-37; Cotterill pf. (2/23/23) at 31-32.

³² Department Brief at 36-37.

³³ Efficiency Vermont Brief at 116-117; Pilliod reb. pf. (5/11/23) at 6.

³⁴ Efficiency Vermont Brief at 116-117.

We approve the long-term planning budgets for the 2027-2043 period proposed by Efficiency Vermont (see findings 32 and 52). Along with our approval of the budgets for the 2024-2026 performance period, this results in budgets for a 20-year period. The proposed budgets are based on DRP resource-acquisition modeling, are consistent with applicable statutory considerations under Section 209, and represent reasonably available, cost-effective efficiency savings.

We approve the 20-year forecast of expected savings provided by Efficiency Vermont (see finding 41). The modeled expected savings demonstrate that the resource-acquisition budgets approved in today’s Order will result in significant long-term benefits to Vermont ratepayers.

B. Budgets and Expected Savings for TEPF Programs

Total TEPF Budgets for the 2024-2026 Performance Period

74. Efficiency Vermont proposes the following total budgets funded for TEPF activities for the 2024-2026 performance period:

2024	2025	2026	Total
\$9,566,235	\$9,811,305	\$9,966,600	\$29,344,140

Johnson pf. (12/9/22) at 21; exh. EVT-KJ-2.

75. The proposed 2024-2026 total budgets are funded through Forward Capacity Market revenues and Regional Greenhouse Gas Initiative (“RGGI”) auction proceeds. The budgets include resource acquisition, development and support services, a compensation structure, and evaluation costs. Pilliod pf. (12/9/22) at 9; exh. EVT-KJ-2.

76. The proposed 2024-2026 budgets represent an increase of approximately \$1.5 million per year over 2021-2023 budgets and approximately \$5 million per year compared to the 2024-2026 TEPF budgets approved in Case No. 19-3272-PET. The budget changes result from increased revenue forecasts associated with the RGGI auctions. Westman pf. (12/9/22) at 12-13; Johnson pf. (12/9/22) at 8-9; exh. EVT-KJ-2.

TEPF Resource-Acquisition Modeling

77. Efficiency Vermont conducted resource-acquisition modeling to determine its proposed TEPF budgets for the 2024-2026 performance period. The resource-acquisition

modeling provides a forecast of achievable energy efficiency based on a portfolio of programs, efficient technologies, and service delivery approaches offering cost-effective energy savings for residential, commercial, and industrial customers across Efficiency Vermont’s service territory. Pilliod pf. (12/9/22) at 16-17; exh. EVT-JP-1.

78. Like the electric efficiency modeling, Efficiency Vermont’s TEPF resource-acquisition modeling uses a comprehensive “bottom up” approach and includes input assumptions based on historical program performance and market studies and intelligence. The modeling incorporates the forecast of Forward Capacity Market revenues and RGGI auction proceeds. Pilliod pf. (12/9/22) at 16-17; exh. EVT-JP-1.

79. The resource-acquisition modeling results include proposed TEPF QPI targets for annual MMBtu savings, residential single-family comprehensiveness, housing units weatherized, and greenhouse gas reductions. Pilliod pf. (12/9/22) at 16-17; exh. EVT-JP-1.

TEPF Resource-Acquisition Budgets

80. For the 2024-2026 performance period, Efficiency Vermont proposes the following TEPF resource-acquisition budgets.

2024	2025	2026	Total
\$8,500,000	\$8,670,000	\$8,843,500	\$26,013,500

Johnson pf. (12/9/22) at 8; exh. EVT-KJ-2.

81. For the 2024-2026 performance period, Efficiency Vermont’s proposed TEPF budgets align with the forecast of Forward Capacity Market revenues and RGGI auction proceeds. Pilliod pf. (12/9/22) at 16-17; exh. EVT-JP-1.

82. Like the electric efficiency programs, the TEPF programs and services will target all market segments for residential, commercial, and industrial customers. Services include technical assistance, incentives or rebates, financing support, supply chain development, and work with equipment manufacturers, distributors, retailers, and installers. Pilliod pf. (12/9/22) at 16-17; exh. EVT-JP-1.

83. The proposed TEPF resource-acquisition budgets include a 75% target for residential spending, with the focus on weatherizing homes, and 25% target for the commercial sector. The

proposed budgets include a 21% target for low-income spending. Pilliod pf. (12/9/22) at 9; exh. EVT-JP-1.

84. Weatherization of residential and commercial buildings remains a priority in Efficiency Vermont's TEPF portfolio. Weatherization services will be provided for residential single-family and multifamily buildings through the Home Performance with Energy Star program, and for small businesses through the Building Performance program. Other priority areas of the TEPF portfolio include advanced wood heat (e.g., boilers, stoves), custom commercial and industrial projects (e.g., industrial process thermal efficiency), and Home Performance with Energy Star workforce development. Pilliod pf. (12/9/22) at 27-28; Johnson pf. (12/9/22) at 14; exh. EVT JP-1.

85. The Department supports the total proposed TEPF resource-acquisition budget amount but raises concern about the proposed 32% step-down between 2026 and 2027. To address its concerns, the Department proposes yearly budgets of \$8,500,000 in 2024, \$9,800,000 in 2025, and \$7,713,500 in 2026. Cotterill pf. (2/23/22) at 12; exh. DPS-BC-1(revised).

86. Efficiency Vermont proposes the following TEPF resource-acquisition budgets, adjusted for 2% inflation, for the remaining 2027-2033 period (along with finding 80, resulting in 10-year TEPF budgets). This represents budgets of \$5,465,470 per year in real dollars.

2027	2028	2029	2030
\$5,465,470	\$5,574,779	\$5,686,275	\$5,800,000
2031	2032	2033	
\$5,916,000	\$6,034,321	\$6,155,007	

Pilliod pf. reb. (5/11/23) at 3; exh. EVT-JP-1 at 49.

TEPF Resource-Acquisition Savings

87. For the 2024-2026 performance period, Efficiency Vermont's proposed TEPF resource-acquisition budgets are expected to result in 363,100 MMBtu savings, and 21,000 metric tons CO_{2e} of greenhouse gas reductions. Meyers pf. (12/7/22) at 7; exh. EVT-JP-1.

88. The number of housing units to be weatherized, which includes single-family and multifamily buildings, is forecast to be 4,100 over the 2024-2026 performance period. The number of these housing units weatherized that are electrically heated with heat pumps is

expected to be approximately 220 housing units. Pilliod pf. (12/9/22) at 27-28; Meyers pf. (12/7/22) at 7; exh. EVT-JP-1.

89. The TEPF resource-acquisition modeling for the 2027-2033 period was incorrect as it did not account for inflation and resulted in the modeling of expected savings with budgets that are 5.8% greater than the proposed 2027-2033 budgets. Efficiency Vermont proposes to revise the resource-acquisition modeling and expected savings in a compliance filing. The revised modeling will likely reduce the expected MMBtu savings and the predicted number of housing units comprehensively weatherized over the 2027-2033 period. Pilliod pf. reb. (5/11/23) at 3-4.

90. Efficiency Vermont's proposed TEPF budgets are expected to result in the following MMBtu savings over the 2024-2033 period (10-year expected savings). This table does not include adjustments to reflect the mistakes in resource-acquisition modeling.

Year	MMBtu		Year	MMBtu
2024	120,581		2029	90,374
2025	121,784		2030	90,311
2026	120,697		2031	89,304
2027	95,411		2032	89,387
2028	90,188		2033	89,464

Pilliod pf. reb. (5/11/23) at 3-4; exh. EVT-JP-1.

TEPF Development and Support Services Budgets

91. Like electric efficiency programs, TEPF development and support services activities do not directly result in efficiency savings but represent valuable aspects of energy efficiency service delivery and development, and include activities such as general administration, information systems, planning and reporting, and education and training. Johnson pf. (12/9/22) at 18-20; exh. EVT-KJ-4.

92. For the 2024-2026 performance period, Efficiency Vermont proposes TEPF development and support services budgets of \$1,933,300. Johnson pf. (12/9/22) at 18-20; exh. EVT-KJ-2.

93. Efficiency Vermont proposes the following TEPF development and support services budgets by category for the 2024-2026 performance period:

	2024	2025	2026
Education and Training	\$82,097	\$83,940	\$86,039
Applied Research and Development	\$56,057	\$56,654	\$57,286
Planning and Reporting	\$63,378	\$122,455	\$98,496
Evaluation	\$80,749	\$76,056	\$77,592
Administrative and Regulatory Affairs	\$93,206	\$95,066	\$84,316
Information Systems	\$235,217	\$239,927	\$244,722
Total	\$610,704	\$674,099	\$648,451

Johnson pf. (12/9/22) at 18-20; exh. EVT-KJ-3.

94. Like the electric budgets, Efficiency Vermont's proposed TEPF development and support services budgets include a proposed new equity initiative. Lucci pf. (12/9/22) at 16-19; exh. EVT-KL-4

95. Efficiency Vermont proposes the following TEPF development and support services budgets for the remaining 2027-2033 period (along with finding 93, resulting in 10-year TEPF budgets).

2027	2028	2029	2030
\$425,000	\$471,100	\$452,400	\$451,000
2031	2032	2033	
\$499,900	\$480,200	\$478,600	

Exh. EVT-KJ-2.

Discussion

Pursuant to 30 V.S.A. § 209(e)(1), TEPF funds derived from the Forward Capacity Market and RGGI must be used to provide efficiency services to unregulated-fuels customers.

As discussed further below, we approve Efficiency Vermont's proposed resource-acquisition and development and support services budgets for TEPF activities for the 2024-2026 performance period. The Department supports the proposed total TEPF budget amount but recommends different yearly resource-acquisition budgets. For the 2024-2026 performance period, the approved TEPF resource-acquisition budgets are \$26,013,500, and the approved development and support services budgets are \$1,933,300.

2024-2026 TEPF Resource-Acquisition Budgets

Efficiency Vermont conducted resource-acquisition modeling to determine its proposed TEPF efficiency budgets for the 2024-2026 performance period (see finding 80). The modeling uses a comprehensive “bottom up” approach and includes input assumptions based on historical program performance, market studies, and intelligence. The modeling was also informed by forecasts of Forward Capacity Market revenue and RGGI auction proceeds.

The Department supports Efficiency Vermont’s proposed total TEPF resource-acquisition budgets of \$26,013,500. The Department, however, raises a concern about the proposed 32% step-down between 2026 and 2027. To address this concern, the Department proposes yearly budgets of \$8,500,000 in 2024, \$9,800,000 in 2025, and \$7,713,500 in 2026.³⁵ The Department contends that Efficiency Vermont’s proposal will exacerbate workforce and contractor continuity issues, increase the probability of long project delays, and make it more difficult to manage customer expectations, which will likely reduce the effectiveness of the TEPF program.³⁶

Efficiency Vermont maintains that its proposed TEPF resource-acquisition budgets, which remain constant during the 2024-2026 performance period and constant at a reduced level during the 2027-2033 period, are better designed to support consistency in the market and will be less disruptive to partners, stakeholders, and customers.³⁷ Efficiency Vermont contends that annual changes in budget amounts frustrate vendors, service providers, and customers and their ability to navigate and use programs consistently, resulting in lower market uptake overall and contractor willingness to develop, hire, and retain new staff. Based on lessons learned in the delivery of TEPF services, Efficiency Vermont asserts that stability and predictability over a three-year performance period ensure that offers and information are broadly distributed and more effectively communicated and provide supply chain partners with a sufficient basis to expend the time and money for staff training.³⁸ Efficiency Vermont contends that a single, larger change, communicated well in advance, is preferable to numerous annual changes as proposed by the Department.³⁹

³⁵ Department Brief at 8; exh. DPS-BC-1(revised).

³⁶ Department Brief at 8.

³⁷ Efficiency Vermont Brief at 67.

³⁸ Efficiency Vermont Brief at 67-68.

³⁹ Efficiency Vermont Brief at 68.

We adopt Efficiency Vermont's proposed TEPF resource-acquisition budgets with constant annual amounts during the 2024-2026 performance period. The proposed budgets are consistent with forecasted Forward Capacity and RGGI revenues. Stability and predictability over a three-year performance period is likely to support consistency in the market and result in effective management of TEPF programs including customer, contractor, and workforce expectations. Given the forecast of TEPF funding, a significant drop in 2027 budget levels is likely unavoidable in both the budget scenarios proposed by Efficiency Vermont and the Department. We anticipate that a single, larger change, communicated well in advance, will help avoid disruptions in TEPF program implementation and allow for workforce and contractor continuity.

In summary, we conclude that the proposed TEPF resource-acquisition budgets are consistent with applicable statutory considerations under Section 209 and will ensure that Efficiency Vermont will continue to be able to offer programs and services to acquire available cost-effective unregulated-fuels savings. In particular, we conclude that program focus on weatherization activities will allow Vermont to make progress on the goals set out in 10 V.S.A. § 581, aimed at improving the energy fitness of Vermont's housing stock, reducing residential annual fuel needs and fuel bills, reducing fossil fuel consumption across all building types, and increasing weatherization services to low-income Vermonters.

2024-2026 TEPF Development and Support Services Budgets

Based on our review of Efficiency Vermont's budget assumptions and narratives, we find the proposed development and support services budget assumptions and funding levels to be reasonable. We approve both the budget categories and the spending amounts within each category (see finding 93). The proposed development and support services activities represent valuable aspects of service delivery and development even though the activities may not directly result in energy efficiency savings. The proposed development and support services budgets reflect the level of funding needed to support the resource-acquisition activities and budgets approved for the 2024-2026 performance period.

10-Year TEPF Budgets and Expected Savings

As required by the Process and Administration document, Efficiency Vermont's DRP includes proposed budgets and expected efficiency MMBtu savings over a 10-year horizon for TEPF activities. The 10-year budgets and expected savings serve as a planning tool to assess the effect of future efficiency programs and measures.

We approve the budgets for the 2027-2033 period proposed by Efficiency Vermont (see findings 86 and 90). Together with our approval of the budgets for the 2024-2026 performance period, this approval results in budgets for a 10-year period. The proposed budgets are based on DRP resource-acquisition modeling and projections of Forward Capacity Market revenues and RGGI auction proceeds. They are consistent with applicable statutory considerations under Section 209.

We approve the 10-year forecast of expected MMBtu savings provided by Efficiency Vermont (see finding 95) subject to adjustments to correct the mistakes in resource-acquisition modeling for the 2027-2033 period. The revised modeling will likely reduce the expected MMBtu savings because the budgets are forecasted to be 5.8% lower. The modeled expected savings, with anticipated adjustments, demonstrate that the TEPF resource-acquisition budgets approved in today's Order will result in significant long-term benefits to Vermont.

As discussed below, we approve the Department's proposed 5% upward adjustment of QPI targets and recognize that the adjustments to the QPI targets may affect the estimates of 10-year expected savings. Within 30 days of the issuance of today's Order, Efficiency Vermont is directed to file any revisions to expected savings to reflect the revisions to the resource-acquisition modeling and any resulting adjustments to the QPI targets.

C. VPPSA Memorandum of Understanding

96. During the 2021-2023 performance period, the VPPSA MOU provided for the coordination between Efficiency Vermont and the VPPSA-member distribution utilities and committed to equitable service delivery among the customers of the distribution utilities. The MOU has been amended to develop strategies and procedures to improve coordination of service delivery to customers during the 2024-2026 performance period. Lucci pf. (5/30/23) at 2-11; exh. EVT-KL-5; exh. EVT-KL-6.

97. VPPSA and Efficiency Vermont agree on an amended Operating Protocol No. 1 that the parties will follow in connection with the VPPSA MOU. The process set forth in the operating protocol will address issues concerning the delivery of flexible load management programs. Lucci pf. (5/30/23) at 9-11; EVT-KL-5; exh. EVT-KL-6.

98. Under the terms of the MOU, Efficiency Vermont commits to implementing, in conjunction and cooperation with VPPSA, programs specifically tailored to the VPPSA member distribution utility service territories during the 2024-2026 performance period. These programs will be jointly designed and delivered by Efficiency Vermont, VPPSA, and VPPSA-member distribution utilities in a manner that (1) meets the needs of the local communities served by the municipal utilities and Efficiency Vermont, (2) focuses resources on meeting the below-described energy efficiency charge (“EEC”) return metric; and (3) supports both energy efficiency and beneficial electrification efforts to reduce fossil-fuel usage across VPPSA member service territories. Exh. EVT-KL-5 at 3.

99. Under the terms of the MOU, VPPSA commits to actively participate with Efficiency Vermont and VPPSA members in the design of tailored programs that maximizes the engagement and geographic distribution of the parties’ total deployed funds available for customers. The parties’ collaboration will enable implementation agreements and understandings for specific programs. Exh. EVT-KL-5 at 3.

100. Under the terms of the MOU, Efficiency Vermont, VPPSA, and VPPSA members will engage in joint outreach to their customers with respect to residential and business programs, and will jointly promote electrification, weatherization, and fuel-switching offers. Exh. EVT-KL-5 at 3-4.

101. Under the terms of the MOU, Efficiency Vermont commits to implementing efficiency programs delivered within the combined VPPSA member service territories in a manner that returns a minimum of 47% of the total energy efficiency charge funds raised within those territories each year (the “EEC return metric”) to VPPSA customers in the form of combined and enhanced incentives from electric and TEPF programs and targeted outreach. Exh. EVT-KL-5 at 4.

102. Under the terms of the MOU, Efficiency Vermont agrees that the technical assistance and customer support required to achieve the described EEC return metric will be

funded through other components of Efficiency Vermont's approved budget and will not count towards the EEC return metric. Exh. EVT-KL-5 at 4-5.

103. Under the terms of the MOU, VPPSA and Efficiency Vermont agree to coordinate efforts to identify and capture industrial and large commercial customer efficiency and RES Tier 3 opportunities. The parties will endeavor to develop and pursue joint outreach efforts for industrial and large commercial customers and to pursue joint projects with special or custom offers. Exh. EVT-KL-5 at 4-5.

104. Under the terms of the MOU, Efficiency Vermont will document and share, monthly, any pertinent technical assistance that it provides to businesses in VPPSA member service territories. VPPSA will document and share, monthly, any pertinent RES Tier 3 or economic development assistance it provides to businesses on behalf of VPPSA members. Efficiency Vermont commits to maintaining key account managers to assist VPPSA customers at levels like those existing today and working with VPPSA to maintain existing protocols for sharing customer interaction information. Exh. EVT-KL-5 at 5.

105. Under the terms of the MOU, VPPSA and Efficiency Vermont commit to conducting an in-person or remote meeting no less than monthly to share this information. VPPSA and Efficiency Vermont will collaborate on the development of a joint implementation plan (or plans) for the delivery of programs and services to VPPSA customers, including joint marketing and engagement that is co-developed, co-branded, and designed in a way that enhances VPPSA members' and EEU customers' goals. Exh. EVT-KL-5 at 5.

106. Under the terms of the MOU, the MOU parties will exchange summaries of joint programs and services and the performance of such programs and services, as may be reasonably and periodically required to ensure ongoing collaboration and proper documentation of savings claims. Exh. EVT-KL-5 at 5.

107. Under the terms of the MOU, Efficiency Vermont and VPPSA will ensure effective communication between the organizations, including identification of a joint team with specified responsibilities and broad decision-making authority concerning the design and implementation of programs and services. Senior management will meet no less than quarterly to discuss the implementation of joint programs and services, the pace of implementation

activities, the satisfaction of performance targets, and to consider any reasonable and appropriate program changes. Exh. EVT-KL-5 at 6.

108. Under the terms of the MOU, VPPSA management will make best efforts to ensure that all VPPSA-represented utilities are providing Efficiency Vermont with customer billing data in accordance with and adherence to the data standard and transfer protocol agreement, filed on November 30, 2018, in Case No. 18-4071-PET. Exh. EVT-KL-5 at 6.

109. Under the terms of the MOU, if VPPSA elects to offer joint programs and services under RES Tier 3 and Efficiency Vermont's TEPF programs, Efficiency Vermont and VPPSA will agree on how savings should be apportioned and claimed. Exh. EVT-KL-5 at 7.

Discussion

We accept the amended VPPSA MOU and Operating Protocol No. 1. Efficiency Vermont and VPPSA are directed to comply with all terms of the MOU and Operating Protocol No. 1. The VPPSA MOU provides for the coordination between Efficiency Vermont and the VPPSA-member distribution utilities and ensures equitable service delivery among the customers of the distribution utilities.

As discussed below, as in the past performance period, the minimum performance requirements for the 2024-2026 performance period include targets that address geographic equity by utility.

D. QPIs, Minimum Performance Requirements, and Compensation

110. Efficiency Vermont and the Department propose that EEU performance be measured through QPIs and minimum performance requirements. QPI targets are derived from Efficiency Vermont's resource-acquisition modeling. Minimum performance requirements are proposed to be minimum obligations to ensure that State policy objectives have been fulfilled. Meyers pf. (12/9/22) at 5-6; exh. EVT-LM-2.

111. Performance compensation for Efficiency Vermont is to be paid based on the attainment of three-year targets for QPIs and minimum performance requirements. QPIs have a positive performance award associated with them and include a weighting factor that determines the amount of possible compensation for achieving each QPI target. Meyers pf. (12/9/22) at 5-6; exh. EVT-LM-2.

112. Failure to meet minimum performance requirements results in the forfeiture of the opportunity to earn some or all of the performance award that could be earned for meeting QPI targets. Each QPI is divided into two target levels: minimum and 100% target. The minimum target level represents 75% of the 100% target level. Each QPI has a possible performance award that starts by achieving the minimum target level and continues to scale linearly upward as the 100% targets are achieved. Meyers pf. (12/9/22) at 5-6; exh. EVT-LM-2.

113. The QPI award structure allows the ability to over-earn on a QPI performance award even when not reaching the 100% QPI targets for the other remaining QPIs (QPI cross-subsidy). Under this structure, there are no “caps” on earning after the 100% target is surpassed and Efficiency Vermont can make up for underperformance on some QPIs with overperformance on other QPIs. Efforts to increase the performance toward one QPI above the 100% target will likely result in better performance on other QPI targets because the goals under all the QPIs are interrelated. Meyers pf. (12/9/22) at 5-6; Cotterill pf. (2/23/23) at 33-35; exh. EVT-LM-2.

Compensation Rate and Structure

114. For the 2024-2026 performance period, Efficiency Vermont proposes a 5.0% compensation rate that would be split between an operations fee and performance award for meeting QPI targets. The operations fee would be billed on allowable expenses in each invoice, and with an opportunity to earn 0.5% of Efficiency Vermont’s 2024 budgets. As started in the 2021-2023 performance period, the operations fee phases out to 0% in 2025 and 2026. The performance award rate starts at 4.5% in 2024 and increases to 5% in 2025 and 2026. Meyers pf. (12/9/22) at 5-6; exh. EVT-KM-2.

115. The operations fee and performance award apply to the resource-acquisition budgets, development and support services budgets, and the ESA program of the electric resource-acquisition budgets. The expected savings of ESA participants’ activities will be reflected in Efficiency Vermont’s performance goals. Meyers pf. (12/9/22) at 4-8; exh. EVT-KM-2.

116. Efficiency Vermont proposes that the compensation rate apply to electric performance targets for MWh savings, total resource benefits, summer peak, winter peak, lifetime MWh savings, and greenhouse gas emissions and apply to the TEPF performance targets

for MMBtu savings and greenhouse gas emissions. Meyers pf. (12/9/22) at 4-8; exh. EVT-KM-2.

117. Under Efficiency Vermont's DRP proposal, for the 2024-2026 performance period, the maximum amount of compensation would be approximately \$8,188,564, with \$266,950 in operation fees and \$7,921,614 in performance award. The maximum electric compensation is \$6,791,224, and the maximum TEPF compensation is \$1,978,854. Exh. EVT-KM-2.

118. The Department supports the proposed compensation rate of 5.0%, with a phase out of the operations rate, that applies to all budgets, including ESA program funds. The Department proposes that the compensation rate apply to electric performance targets for MWh savings, total resource benefits, summer peak, winter peak, lifetime MWh savings, and greenhouse gas emissions, and apply to the TEPF performance targets for MMBtu savings and greenhouse gas emissions. Cotterill pf. (2/23/23) at 34.

119. Efficiency Vermont's compensation proposal includes the opportunity to annually earn a portion of its performance award prior to the end of the three-year period, consistent with the 2021-2023 performance period. Under the proposal, for each of the first two years of the performance period, Efficiency Vermont must achieve at least 33% of certain 100% QPI targets (electric QPIs 1-6 and TEPF QPIs 1 and 4) to be eligible to receive 25% of the performance award. Any award would be subject to Commission approval of annual savings claims and would be paid in the fall of a given year, if earned for performance in the prior year. Meyers pf. (12/9/22) at 4-8; exh. EVT-KM-2.

120. The compensation proposal includes a "claw back" mechanism to ensure that performance award funds after year one or year two are returned if ultimately the award funds were not earned when measured at the end of the performance period (e.g., a minimum QPI target was not met or a minimum performance requirement was not met at the end of three years). Meyers pf. (12/9/22) at 4-8; exh. EVT-KM-2.

121. The Department supports the compensation proposal for an annual distribution of Efficiency Vermont's performance award if substantial annual progress is made towards three-year targets and supports the requirement for a "claw back" mechanism. The Department does not support the inclusion of the electric and TEPF QPIs addressing greenhouse gas emissions in

the annual distribution. In the 2021-2023 performance period, the annual compensation does not apply to the performance targets for greenhouse gas emissions. Cotterill pf. (2/23/23) at 34.

Quantifiable Performance Indicators

122. For the 2024-2026 performance period, Efficiency Vermont proposes the following electric QPIs, targets, and associated weighting.

QPI #	Title	Performance Indicator	100% Target	Award Weight
1	Total resource benefit	Present worth of lifetime electric, fossil fuel, and water benefits	\$193,223,800	20%
2	Annual electricity savings	Annual incremental net MWh savings	202,000	25%
3	Summer peak demand savings	Cumulative net summer peak kW demand savings	21,800	17%
4	Winter peak demand savings	Cumulative net winter peak kW demand savings	29,300	14%
5	Lifetime electricity savings	Lifetime incremental net MWh savings	2,632,400	9%
6	Greenhouse gas reductions	Electric energy and non-energy benefits, in metric tons of CO ₂ e	135,000	10%
7	Flexible load kW	Annual kW of flexible load (controllable load)	3,700	0%
8	Administrative efficiency	5% administrative cost reduction	\$1,078,100	5%

Meyers pf. (12/9/22) at 5-7; exh. EVT-KM-1.

123. The proposed electric QPI targets may not completely reflect the expected savings of ESA program activities. Efficiency Vermont plans to update the QPI targets to reflect the ESA program in a compliance filing. The update will include a formulaic adjustment that uses the cost of energy saved (\$/MWh) associated with the approved QPI targets for the commercial and industrial sector. Exh. EVT-DW-2; Department 6/9/23 Comments at 2.

124. Consistent with the 2021-2023 performance period, an amount equal to 5% of the modeled electric expected savings has been added to the proposed electric QPI targets for QPI 1 through 7 to encourage Efficiency Vermont to achieve higher levels of performance. Meyers pf. (12/9/22) at 4-7; exh. EVT-KM-1.

125. Efficiency Vermont proposes that the flexible load management program include a QPI target of 3,700 kW, with no performance compensation associated with the target. Meyers pf. (12/9/22) at 4-7; exh. EVT-KM-1.

126. As a change from the 2021-2023 performance period, Efficiency Vermont proposes to increase the weighting of the electric greenhouse gas QPI from 5% to 10% while reducing the weighting of the total resource benefits QPI from 25% to 20%. Efficiency Vermont recommends that the compensation rate apply to the electric greenhouse gas QPI. Meyers pf. (12/9/22) at 4-7; exh. EVT-KM-1; exh. EVT-KM-2.

127. The Department supports changes to the proposed electric QPI targets to reflect its proposal to redirect approximately \$1.2 million of the proposed flexible load management program toward other resource acquisition savings. The redirection of funds is expected to increase the QPI target for annual electricity savings by approximately 1,956 MWh and a commensurate amount for the QPI targets addressing lifetime MWh savings, summer and winter peak demand reductions, and total resource benefits. Cotterill pf. (2/23/23) at 31; Pilliod pf. reb. (5/11/23) at 5; exh. EVT-JP-1.

128. The Department recommends adjusting the QPI target for annual electricity savings by an additional 2,016 MWh, to reflect a level that is consistent with the program achievable scenario in the potential study. Along with adjustments proposed for the flexible load management program, this will increase the QPI target to 206,000 MWh for the 2024-2026 performance period. Cotterill pf. (2/23/23) at 31-32.

129. The Department recommends no changes to the weighting of the electric greenhouse gas QPI and recommends maintaining the weighting levels from the 2021-2023 performance period. The Department also recommends that the annual compensation rate not apply to the electric greenhouse gas QPI. Cotterill pf. (2/23/23) at 34-35.

130. Efficiency Vermont's DRP proposal includes an administrative efficiency QPI. The QPI target is a 5% reduction in administrative costs identified for the 2024-2026 performance period. The 100% target is proposed to be a \$1,078,100 reduction. Changes to VEIC's indirect rate may require changes to the QPI target dollar amount. Cotterill pf. (2/23/23) at 35; exh. EVT-KM-1.

131. For the 2024-2026 performance period, Efficiency Vermont proposes the following TEPF QPIs, targets, and associated weighting.

QPI #	Title	Performance Indicator	100% Target	Award Weight
1	Thermal and mechanical energy efficiency savings	Annual incremental net MMBtu savings	363,100	55%
2	Residential single-family comprehensiveness	Combined performance for metrics for the following:		25%
		a. Average air leakage reduction per comprehensive project;	34% of projects	
		b. Percent of comprehensive projects with square feet of added insulation at least 50% of the home's finished square feet of floor area;	44% of projects	
		c. Percent of households (premises) that implement shell measures and have a heating system measure installed within three years of the shell measure.	16% of households	
3	Housing units weatherized	Number of residential housing units comprehensively weatherized.	4,100	10%
4	Greenhouse gas reductions	TEPF energy and non-energy benefits, in metric tons of CO ₂ e	21,000	10%

Exh. EVT-KM-1.

132. As a change from the 2021-2023 performance period, Efficiency Vermont proposes to increase the weighting of the TEPF greenhouse gas QPI from 5% to 10%, while reducing the weighting of the MMBtu savings QPI from 60% to 55%. Efficiency Vermont recommends that the annual compensation rate apply to the TEPF greenhouse gas QPI. Meyers pf. (12/9/22) at 4-7; exh. EVT-KM-1; exh. EVT-KM-2.

133. The Department supports the resource acquisition modeling used to derive the proposed TEPF QPI targets. The Department supports the proposed TEPF QPIs except that it recommends that the QPI target addressing MMBtu savings be increased by 5%, consistent with the electric QPI targets. Cotterill pf. (2/23/23) at 12.

134. The Department recommends no changes to the weighting of the TEPF greenhouse gas QPI and recommends maintaining the weighting levels from the 2021-2023 performance period. The Department also recommends that the annual compensation rate not apply to the TEPF greenhouse gas QPI. Cotterill pf. (2/23/23) at 34-35.

Minimum Performance Requirements

135. For the 2024-2026 performance period, Efficiency Vermont proposes the following electric minimum performance requirements to ensure that efficiency activities are equitably provided to all customers.

QPI #	Title	Minimum Requirement	Policy Goal Advanced	Performance Award Reduction
9	Minimum Electric Benefits	Total electric benefits divided by total costs is greater than 1.0	Equity for all Vermont electric customers as a group by ensuring that the overall electric benefits are greater than the costs incurred to implement and evaluate the EEU and the energy efficiency charge	Eliminates 100% of performance incentive award
10	Threshold Level of Participation by Residential Customer	Total residential sector spending is greater than \$38,202,000	Equity for residential customers by ensuring that a minimum level of overall efficiency efforts, as reflected in spending, will be dedicated to residential customers	Reduces total performance incentive award at 100% target level by 18%
11	Threshold Level of Participation by Low-Income Customers	Total low-income services spending is greater than \$13,024,000	Equity for low-income customers by ensuring that a minimum level of overall efficiency efforts, as reflected in spending, will be dedicated to low-income households	Reduces total performance incentive award at 100% target level by 18%
12	Threshold Level of Participation by Small Business Customers	Total non-residential premises with annual electric use of 40,000 kWh/year or less that acquire kWh savings is greater than 2,000	Equity for small business customers by ensuring that a minimum level of overall efficiency efforts, as reflected in participation, will be dedicated to small business accounts	Reduces total performance incentive award at 100% target level by 18%
13	Geographic Equity by County	Total resource benefits for each geographic area is greater than values established for each county	Geographic equity for all Vermont electric customers by ensuring that energy efficiency benefits are geographically distributed on an equitable basis	Reduces total performance incentive award at 100% target level by 6%
14	Geographic Equity by Utility	Customer lifetime savings for each distribution utility is greater than values established for each utility	Geographic equity for all Vermont electric customers by ensuring that energy efficiency benefits are distributed on an equitable basis across utility territories	Reduces total performance incentive award at 100% target level by 2%
15	Service Quality	Achieve 102 or more metric points in the	To establish quality performance standards and	Reduces total performance

		Service Quality and Reliability Plan over the course of the performance period	associated reporting requirements for energy efficiency services provided by Efficiency Vermont	incentive award by \$1,470 per point lost (beyond 16) with a potential total reduction at 100% target level by 3.1%
16	Resource-Acquisition Performance Period Spending	Total spending for a three-year performance period (including applicable operations fees) is less than \$127,925,000	To ensure continuity of efficiency programs across performance periods, allows 3% spending threshold above Commission-approved 2026 resource-acquisition budgets	Reduces total performance incentive award by 2.0% once spending is \$50,000 above threshold. Penalty rate increases 0.5% for each \$50,000 increment until 12.5%
17	Development and Support Services Performance Period Spending	Total spending for a three-year performance period (including applicable operations fees) is less than \$11,461,000	To ensure continuity of efficiency programs across performance periods, allows 3% spending threshold above Commission-approved 2026 development and support services budgets	Reduces total performance incentive award by 2.0% once spending is \$50,000 above threshold. Penalty rate increases 0.5% for each \$50,000 increment until 12.5%

Exh. EVT-KM-1.

136. The electric minimum performance requirements include two separate geographic metrics to provide equity for all Vermont electric customers by ensuring that energy efficiency benefits are (a) distributed on an equitable basis across utility territories and (b) distributed by county on an equitable basis. Exh. EVT-KM-1.

137. Efficiency Vermont's DRP proposal includes a minimum performance requirement addressing electric system benefits. Efficiency Vermont considers the current calculation for the requirement to underrepresent the true electric system benefits attributable to an EEU's performance and proposes a calculation methodology that includes additional system benefits. Westman pf. (12/9/22) at 26-27; exh. EVT-KM-1.

138. The minimum performance requirement addressing electric system benefits represents a benefit-to-cost ratio, where the present value of electric benefits is used as the numerator, and total energy efficiency charge spending is the denominator. The current practice

is to count electric benefits as the present value of electric energy, capacity, and transmission benefits that accrue from installed electric efficiency resources calculated using societal avoided cost values. The denominator is the total electric budgets, which includes Efficiency Vermont's electric resource-acquisition, development and support services, compensation costs, and other energy efficiency charge costs such as the Department's evaluation budget, fiscal agent costs, and audit costs. Westman pf. (12/9/22) at 27.

139. Electric system benefits are the monetary value that utility customers receive, in the form of avoided costs, resulting from energy efficiency charge investments. These benefits are consistent with the ratepayer test commonly applied by the distribution utilities to demonstrate ratepayer value from utility (ratepayer-funded) investments. The calculation of electric system benefits is an application of the utility cost test. Bailey pf. (2/23/23) at 7.

140. Efficiency Vermont proposes that the calculation of electric system benefits in the numerator include avoided costs of non-embedded electric externalities (greenhouse gas reductions), avoided costs of intrastate and rest-of-pool demand response price effect ("DRIPE"), and avoided costs of regional network service charges in addition to the current benefits of avoided cost of electric energy, avoided cost of electric capacity, and avoided cost of transmission and distribution. Efficiency Vermont proposes that the costs in the denominator include a risk discount factor, which reflects the lower risk and reduced cost of building a MW of efficiency compared to a MW of new generation or transmission assets. Westman pf. (12/9/22) at 28-35.

141. For the 2021-2023 performance period, the minimum requirement is that total electric benefits divided by total costs is greater than 1.2. Efficiency Vermont proposes that the requirement be set at 1.0 for the 2024-2026 performance period. Westman pf. reb. (5/11/23) at 25-26; exh. EVT-KM-1.

142. The Department generally supports Efficiency Vermont's proposal to change the minimum performance requirement that addresses electric system benefits. The Department does not support the inclusion of regional electric-sector greenhouse gas emissions reductions and DRIPE benefits that occur outside Vermont (interstate or rest-of-pool DRIPE) in the calculation of the requirement. Bailey pf. (2/23/23) at 7-8.

143. Efficiency Vermont’s DRP proposal includes a minimum performance requirement that sets a threshold level of participation by low-income customers, measured by a low-income spending requirement. The Department supports the spending requirement being set at 85% of expected low-income sector contribution but recommends that the expectation for investment in the low-income-eligible sector be 100% of the estimated contribution that this population makes to the energy efficiency charge in the 2024-2026 performance period. Cotterill pf. (2/23/23) at 34-35; exh. EVT-KM-1.

144. The electric minimum performance requirements include a metric addressing service quality. Efficiency Vermont proposes to update its Service Quality and Reliability Plan to revise the call-center metrics and add new email engagement metrics. The Department recommends that Efficiency Vermont work with the Consumer Affairs and Public Information (“CAPI”) division to revise the plan and file the plan for Commission approval. Johnson pf. (12/9/22) at 26-28; Flint pf. (2/23/23) at 2; exh. EVT-KJ-5.

145. For the 2024-2026 performance period, Efficiency Vermont proposes the following TEPF minimum performance requirements.

QPI #	Title	Minimum Requirement	Policy Goal Advanced	Performance Award Reduction
5	Threshold Level of Participation by Residential Customer	Total residential sector spending is greater than 62.5% of the total thermal-energy-and-process-fuels fund expenditures	Equity for residential customers by ensuring that a minimum level of overall efficiency efforts, as reflected in spending, will be dedicated to residential customers	Reduces total performance incentive award at 100% target level by 10%
6	Threshold Level of Participation by Low-Income Customers	Total low-income services spending is greater than 17% of the total thermal-energy-and-process-fuels fund expenditures	Equity for low-income customers by ensuring that a minimum level of overall efficiency efforts, as reflected in spending, will be dedicated to low-income customers	Reduces total performance incentive award at 100% target level by 10%
7	Resource-Acquisition Performance Period Spending	Total spending for a three-year performance period (including applicable operations fees) is less than \$26,321,000	To ensure continuity of efficiency programs across performance periods, allows 3% spending threshold above Commission-approved 2026 resource-acquisition budgets	Reduces total performance incentive award by 2.0% once spending is \$50,000 above threshold. Penalty rate increases 0.5% for each \$50,000 increment until 12.5%

Exh. EVT-KM-1.

146. The Department supports the proposed TEPF minimum performance requirements except for the requirement addressing residential spending. The Department proposes to reduce the minimum residential spending from 62.5% of total TEPF spending to 60% to allow additional spending for commercial-sector weatherization projects or other qualified TEPF activities. Cotterill pf. (2/23/23) at 12.

Discussion

As discussed further below, for the 2024-2026 performance period, we approve Efficiency Vermont's proposed compensation, QPIs, and minimum performance requirements with adjustments in part recommended by the Department.

Compensation Rate and Structure

The Department and Efficiency Vermont propose a 5% compensation rate and continued schedule for phasing out the operations fee that began in the 2021-2023 performance period. The proposal applies the compensation rate to the resource-acquisition budgets, the development and support services budgets, and the ESA program budgets. Consistent with the 2021-2023 performance period, the compensation proposal includes the opportunity to annually earn a portion of the performance award before the end of the three-year period, if substantial annual progress is made towards the QPI targets. A "claw back" mechanism ensures that performance award funds after year one or year two are returned if ultimately the award funds were not earned when measured at the end of the performance period (e.g., a minimum QPI target was not met or a minimum performance requirement was not met).

We approve the proposed compensation rate and structure. We conclude that the compensation rate and structure ensure a fair risk/reward balance between ratepayers and Efficiency Vermont as the program administrator. The compensation structure is consistent with the allowances made in the Process and Administration document that an EEU be afforded the opportunity to recover just and reasonable costs and expenses accrued in the provision of services and initiatives and to earn a fair return. The structure is also consistent with the goal of compensation identified in the Process and Administration Document "to establish a reasonably balanced system of risks and rewards that encourages an EEU to operate as efficiently as

possible using sound management practices while achieving the objectives set forth in 30 V.S.A. § 209(d) through (g) and maximizing the benefits to Vermont's ratepayers.”

QPI Targets and Weighting

As discussed further below, for the 2024-2026 performance period, we approve the electric and TEPF QPIs and framework proposed by Efficiency Vermont, approve the proposed electric and TEPF QPI targets with adjustments in part recommended by the Department, and approve the proposed electric and TEPF QPI weighting with the adjustments recommended by the Department.

Efficiency Vermont's proposed QPI targets include a 5% adder to modeled electric expected savings for QPIs 1 through 7 and a future formulaic adjustment to update the savings from the ESA program. The Department recommends two additional adjustments to the QPI targets. First, to reflect the redirection of approximately \$1.2 million of the proposed flexible load management program toward other resource acquisition savings, the Department recommends that the QPI target for annual electricity savings be increased by approximately 1,956 MWh, along with a commensurate amount for the QPI targets addressing lifetime MWh savings, summer and winter peak demand reductions, and total resource benefits.⁴⁰ Efficiency Vermont agrees that this adjustment should be made if we approve the redirection of the flexible load management budgets.⁴¹ Because we approved the redirection of a portion of the proposed flexible load management budgets, we approve the corresponding QPI target adjustments.

Second, the Department recommends adjusting the QPI target for annual electricity savings by an additional 2,016 MWh, to reflect a savings level that is consistent with the program achievable scenario in the potential study. As addressed above in our approval of expected savings, we decline to adopt the Department's recommendation to add 2,016 MWh of expected savings to the electric portfolio and QPI targets. This decision recognizes that Efficiency Vermont's resource-acquisition modeling includes different market conditions and initiatives than the potential study scenario and recognizes that the QPI targets include a 5% adder to encourage Efficiency Vermont to innovate and optimize its electric efficiency portfolio.

⁴⁰ Department Brief at 27-35.

⁴¹ Efficiency Vermont Brief at 86.

The Department recommends that the QPI target addressing MMBtu savings be increased by 5%, consistent with the adjustments made for the electric QPI targets.⁴² Efficiency Vermont opposes the 5% adder. Efficiency Vermont argues that the adder was not adopted in the 2021-2023 performance period and the Department has not provided support for its adoption at this time. Efficiency Vermont raises the concern that a 5% adder to the MMBtu QPI target may have unintended consequences and pressure Efficiency Vermont to avoid higher acquisition-cost energy savings that often benefit low-and-moderate-income Vermonters.⁴³

We approve the 5% adder to the TEPF QPI target for MMBtu savings. We recognize that in the previous DRP, the Commission appears to have inadvertently mischaracterized the Department's position on the adder for TEPF QPI targets.⁴⁴ Thus, the Commission's previous decision does not guide us in our determination. The 5% increase to the 100% target encourages innovation and accounts for imprecision of resource-acquisition modeling that often under-predicts performance. Under the QPI performance structure, Efficiency Vermont begins earning performance compensation when 75% of its 100% target (minimum target) has been reached. Thus, even with the addition of 5% to the 100% target, the opportunity for performance compensation remains well within Efficiency Vermont's resource-acquisition modeling of achievable efficiency savings. The 5% increase in the TEPF QPI target for MMBtu savings recognizes that Efficiency Vermont has a high degree of budget flexibility in its program implementation, including adjusting resource-acquisition spending among programs. Flexibility to move budget resources when implementing programs enables Efficiency Vermont to capture unanticipated market opportunities and allows for unplanned innovations that are difficult to model. New opportunities and innovation can lead to improved performance and acquisition of energy savings at a lower cost than anticipated. Improved performance will also reduce the pressure to avoid higher resource-acquisition-cost energy savings that often benefit low-and-moderate-income Vermonters.

As a change from the 2021-2023 performance period, Efficiency Vermont proposes to increase the weighting of the electric and TEPF QPIs addressing greenhouse gas reductions from

⁴² Department Brief at 8.

⁴³ Efficiency Vermont Brief at 127-128.

⁴⁴ See Case No. 19-3272-PET, Order of 1/20/21 at 5.

5% to 10% while reducing the weighting of the electric QPI addressing total resource benefits from 25% to 20% and reducing the TEPF QPI addressing MMBtu savings from 60% to 55%. In addition, Efficiency Vermont recommends that the annual compensation rate apply to the electric and TEPF greenhouse gas QPIs. In support of its proposal, Efficiency Vermont argues that this DRP proceeding calls for an increased focus on the reduction of greenhouse gas emissions in furtherance of stakeholder input and in support of recent State regulatory initiatives that focus attention on meeting climate goals related to the reduction of greenhouse gas emissions.⁴⁵

The Department recommends no changes to the weighting of the electric and TEPF QPIs addressing greenhouse gas reductions and recommends that the annual compensation rate not apply to these QPIs. The Department opposes Efficiency Vermont's QPI weighting proposal because it puts pressure on programs that deliver electric system benefits which, barring a change to VEIC's Order of Appointment, should remain a high priority.⁴⁶

We decline to adopt Efficiency Vermont's proposed changes to the weighting for greenhouse gas QPIs and inclusion of them in the calculation of annual compensation. The focus of the efficiency portfolio should be on delivery of electric system benefits and TEPF benefits. This focus allows Vermont to achieve its goal of realizing all reasonably available, cost-effective energy efficiency savings while meeting other goals and policies, including reductions in greenhouse gas emissions. The focus on electric efficiency investments reduces the size of future power purchases and includes the added benefit of reduced greenhouse gas emissions from power generating resources.

Within 30 days of issuance of today's Order, Efficiency Vermont is directed to file for Commission approval revised QPIs reflecting the approved adjustments to the electric QPI targets, the 5% increase to the TEPF QPI target, the approved QPI weighting, and QPIs eligible for compensation.⁴⁷ Efficiency Vermont plans to update the QPI targets to reflect the ESA program in a compliance filing. The formulaic adjustment to reflect the ESA program should use the cost of energy saved (\$/MWh) associated with the approved QPI targets for the commercial and industrial sector. Efficiency Vermont is also directed to make any adjustments

⁴⁵ Efficiency Vermont Brief at 14.

⁴⁶ Department Brief at 7.

⁴⁷ The adjustments should be applied to QPI targets presented in exhibits EVT-KM-1 and EVT-KM-2.

to the flexible load management QPI targets to reflect that a portion of the proposed budgets has been redirected to other resource-acquisition activities.

Minimum Performance Targets

We approve the minimum performance requirements proposed by Efficiency Vermont for the 2024-2026 performance period with the adjustments discussed below. We find that the proposed minimum performance requirements with our approved adjustments are generally consistent with past DRP determinations and will ensure that energy efficiency activities are equitably provided to all customers.

Efficiency Vermont's DRP proposal includes a minimum performance requirement addressing electric system benefits. Both Efficiency Vermont and the Department agree that the current calculation for the requirement underrepresents the true electric system benefits attributable to Efficiency Vermont's performance and propose changes to the calculation methodology. As discussed further below, we adopt the proposed changes to the requirement supported by the Department.

Efficiency Vermont proposes that the calculation of benefits include greenhouse gas reductions, intrastate and rest-of-pool DRIPE, and regional network service charges, and that the calculation of the costs include a risk discount factor. Efficiency Vermont also proposes that the minimum requirement be set at the total electric benefits divided by total costs resulting in a ratio greater than 1.0. Efficiency Vermont contends that the recognition of these factors better represents the benefits provided to customers through EEU initiatives, and better aligns the performance requirement with the full scope of considerations that are taken into account when attempting to acquire all reasonably available, cost-effective energy efficiency savings called for under 30 V.S.A. § 209(d)(3)(B).⁴⁸ Efficiency Vermont contends that the cost of efficiency is rising and the EEU is being required to develop complex and resource-intensive programs to satisfy its multiple stakeholder, regulatory, and policy-driven priorities, including equity and market transformation support. Efficiency Vermont contends that an adjustment to the methodology and standard for measurement is necessary.⁴⁹ Efficiency Vermont argues that its proposed adjustments are supported by Vermont statutes, including 30 V.S.A. §§ 218c and 209

⁴⁸ Efficiency Vermont Brief at 17.

⁴⁹ Efficiency Vermont Brief at 18.

that accept that greenhouse gas emissions are an externality cost of the electric system. Further, Efficiency Vermont argues that its adjustments are supported by Vermont law that directs utilities, electric efficiency utilities, and the Commission to consider and reduce externality costs when making investments in the electric system and establishing electric efficiency rates.⁵⁰

The Department agrees with Efficiency Vermont that the method for quantifying electric system benefits needs to be changed but recommends an alternative approach that draws the boundaries for measuring electric benefits at Vermont's borders rather than the broader New England borders as proposed by Efficiency Vermont. The Department contends that the calculation of electric system benefits should be based on the application of the utility cost test, which reflects financial costs and benefits borne by ratepayers, instead of the broader societal-cost test used in the screening of efficiency measures.⁵¹ As such, the Department supports the inclusion of reductions in the regional network service charges that are attributed to Vermont, a risk discount factor and wholesale risk premium, and intra-state DRIPE. The Department opposes the inclusion of rest-of-pool (inter-state) DRIPE because it does not reflect a value that is limited to Vermont's electric ratepayers.⁵² In addition, the Department opposes the inclusion of benefits associated with reductions in greenhouse gas emissions because these are benefits that accrue to society at large rather than electric ratepayers.⁵³

The Department agrees with the application of societal benefits in the screening of energy efficiency investments, does not dispute the importance of reducing greenhouse gas emissions across all sectors in compliance with the Global Warming Solutions Act, and does not dispute the statutory basis for considering greenhouse gas reductions in setting the energy efficiency charge. However, the Department argues that these principles should not be conflated with electric system benefits and maintains that it is essential for the minimum performance requirement to be a pure measure of direct financial benefits to ratepayers.⁵⁴ The Department contends that Efficiency Vermont's proposed methodology would make it easier for Efficiency Vermont to achieve this minimum performance requirement and afford Efficiency Vermont

⁵⁰ Efficiency Vermont Brief at 119-120.

⁵¹ Department Brief at 16-25.

⁵² Department Brief at 19.

⁵³ Department Brief at 19-20.

⁵⁴ Department Brief at 21.

greater flexibility to invest energy efficiency charge collections in programs and initiatives that provide little or no direct electric system benefits.⁵⁵ Finally, the Department views this requirement as an essential ratepayer protection within the efficiency utility structure that ensures and prioritizes that electric ratepayers acquire financial benefits from the state's efficiency programs that exceed the financial costs of running those programs.⁵⁶

We approve changes to the methodology for determining the minimum performance requirement addressing electric system benefits to include regional network service charges, intra-state DRIPE, and a risk discount factor and wholesale risk premium. The calculation of electric system benefits should be based on the application of the utility cost test, the focus of which is on acquiring financial benefits for ratepayers that exceed the financial costs of running the state's efficiency programs. Although reductions in greenhouse gas emissions are an important societal benefit of efficiency programs, this minimum performance requirement should prioritize electric system benefits. Inter-state DRIPE and the benefits associated with reductions in greenhouse gas emissions are not electric system benefits. Thus, their inclusion in this minimum performance requirement is not appropriate. Further, we approve that this requirement is met when total electric benefits divided by total costs is greater than 1.0. A portfolio that performs with an electric system benefit-cost ratio that is greater than 1.0 is expected to deliver electric system benefits that are greater than, or equal to, the costs imposed on electric ratepayers for delivering the portfolio.

Efficiency Vermont's DRP proposal includes a minimum performance requirement that sets a threshold level of participation by low-income customers, measured by a low-income spending requirement set at 85% of expected contributions. The Department supports this requirement but recommends that the expectation for investment in the low-income-eligible sector be 100% of the estimated contribution that this population makes to the energy efficiency charge in the 2024-2026 performance period.⁵⁷ We accept this recommendation and note that it is consistent with Efficiency Vermont's DRP proposal for low-income spending. Efficiency Vermont's proposal includes a new equity initiative designed to serve marginalized and

⁵⁵ Department Brief at 22.

⁵⁶ Department Brief at 23.

⁵⁷ Cotterill pf. (2/23/23) at 34-35; exh. EVT-KM-1.

disadvantaged Vermont residents that should also influence low-income spending. In addition, we encourage the Department's efforts to explore new ways to measure success in the equity area, including the potential for an equity-related QPI or minimum performance requirement.⁵⁸

We adopt Efficiency Vermont's proposal to update its Service Quality and Reliability Plan included under the service quality minimum performance requirement. The Department recommends that Efficiency Vermont work with the CAPI division to revise the plan and file the plan for Commission approval. Within 90 days of today's Order, Efficiency Vermont is directed to file a revised Service Quality and Reliability Plan for Commission approval.

The Department recommends reducing the proposed minimum performance requirement addressing residential spending from 62.5% of total TEPF spending to 60%.⁵⁹ The Department contends that this change enables additional funds for commercial-sector weatherization and other TEPF projects and facilitates flexibility in moving TEPF funds between program years and sectors. The Department argues that the change will maximize the yield from the TEPF budgets while also maximizing the benefits to the residential sector.⁶⁰ Efficiency Vermont maintains that its focus on TEPF residential services is not driven by the minimum performance requirement and its historical performance has been above the minimum requirement. Efficiency Vermont states that the requirement is below the residential spending assumed in its resource-acquisition modeling. Efficiency Vermont does not support the change and argues that it sends the wrong signal to customers and trade partners that provide efficiency services within the residential efficiency market.⁶¹

We approve Efficiency Vermont's proposed minimum performance requirement addressing residential spending and decline to adopt the Department's proposal. The proposed minimum performance requirement is consistent with the approved TEPF budgets and the resource-acquisition modeling that assumes a 75% target for residential spending, with the focus on weatherizing homes, and a 25% target for the commercial sector.

⁵⁸ See Finding 61; Cotterill pf. (2/23/23) at 35.

⁵⁹ Department Brief at 8.

⁶⁰ Department Brief at 8.

⁶¹ Efficiency Vermont Brief at 128-129.

Within 30 days of this Order, along with the updates to the QPIs, Efficiency Vermont is directed to file updates to minimum performance requirements reflecting the approved changes to the requirement addressing total electric benefits.

E. Budgets for Other EEU Expenses

147. Efficiency Vermont’s DRP proposal includes budgets to cover fiscal agent costs, the annual EEU Fund audit, triennial independent audit, EEU advertising fees, support for the TEPF Clearinghouse, and EEU evaluation costs. These activities are funded by both the electric budgets and the TEPF budgets. Exh. EVT-KJ-2.

148. The fiscal agent budgets include costs for Efficiency Vermont to administer and manage its portion of the electric EEU fund. For the 2024-2026 performance period, Efficiency Vermont proposes a total budget of \$69,826. Exh. EVT-KJ-2.

149. The TEPF Clearinghouse budgets reflect the Efficiency Vermont share of costs to support the statewide information clearinghouse that was established to provide access and coordination across all TEPF services offered in Vermont. These costs are part of Efficiency Vermont’s TEPF budgets. For the 2024-2026 performance periods, the Department proposes total budgets of \$31,133. Exh. EVT-KJ-2; exh. DPS-BC-1 (revised).

150. The budgets for the EEU evaluation costs support the Department’s evaluation of Efficiency Vermont’s energy efficiency programs. For the 2024-2026 performance period, the Department proposes a total budget of \$3,920,790. Exh. DPS-BC-1 (revised).

151. For the 2024-2026 performance periods, Efficiency Vermont and the Department propose the following budgets.

	2024	2025	2026	Total
Electric Budgets				
EEU Evaluation	\$401,667	\$1,204,987	\$1,290,195	\$2,896,849
EEU Advertising	\$6,367	\$6,495	\$6,624	\$19,486
Fiscal Agent	\$22,816	\$23,272	\$23,738	\$69,826
EEU Fund Audit	\$32,000	\$32,640	\$33,293	\$97,933
Independent Audit	\$30,500	\$31,110	\$31,732	\$93,342
TEPF Budgets				
EEU Evaluation	\$622,949	\$167,531	\$233,461	\$1,023,941

TEPF Clearinghouse	\$0	\$31,133	\$0	\$31,133
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Exh. EVT-KJ-2; exh. DPS-BC-1 (revised).

152. For the 2027-2043 period, Efficiency Vermont proposes that the budgets for fiscal agent costs, the annual EEU Fund audit, triennial independent audit, and EEU advertising fees escalate at the rate of inflation. The Department proposes that the TEPF Clearinghouse budgets be a biannual charge and remain flat across the 10-year TEPF period. Exh. EVT-KJ-2; exh. DPS-BC-1 (revised).

153. VEIC serves as the RGGI Trustee. RGGI Trustee costs are deducted from gross RGGI auction proceeds and do not appear in the Efficiency Vermont DRP budgets. VEIC proposes the following budgets for the RGGI Trustee services: \$1,530 in 2024; \$1,561 in 2025; and \$1,592 in 2026. For the 2027-2033 period, VEIC proposes that RGGI Trustee costs escalate at the rate of inflation. Meyers pf. (12/9/22) at 10.

Discussion

As part of our review of Efficiency Vermont's DRP proposal, we approve the proposed budgets addressing the fiscal agent costs, the annual EEU Fund audit, triennial independent audit, EEU advertising fees, and the TEPF Clearinghouse. The proposed budgets represent a reasonable estimate of the costs associated with these EEU activities. In addition, we approve the budgets for the 2027-2033 period and 2027-2043 period, resulting in 10-year and 20-year budgets. The 10-year and 20-year budgets serve as a planning tool to assess the future costs of the EEU program.

Our approval of the EEU evaluation budgets used by the Department for its evaluation activities will be addressed in a separate Order in this proceeding. The EEU evaluation budget values are presented in this Order for reference and completeness. In the event that the budgets approved for the Department's evaluation activities differ from those estimated by Efficiency Vermont and included in this Order, Efficiency Vermont should reflect those budget differences in its compliance filings.

We also approve the proposed budgets for VEIC to serve as RGGI Trustee. RGGI Trustee costs are deducted from gross RGGI auction proceeds and do not appear in the Efficiency Vermont DRP budgets.

V. CONCLUSION

In this Order, the Commission approves resource-acquisition and development and support services budgets for Efficiency Vermont for the 2024-2026 performance period. We also approve the QPI targets, minimum performance requirements, and performance compensation for the 2024-2026 performance period. In addition, the Commission approves 10-year and 20-year forecasts of expected savings and budgets that may be used for utility and market planning purposes. The budgets approved in this Order will enable Efficiency Vermont to acquire all reasonably available, cost-effective energy efficiency. The savings levels described in this Order will result in significant long-term benefits to Vermont ratepayers.

Our approval of Efficiency Vermont's DRP requires several compliance filings, including filings to update the QPIs, minimum performance requirements, and expected savings. We also require compliance filings to address the development and support services budget categories. Our approval also includes a requirement to open a new proceeding to convene a flexible load management working group. Finally, we recognize that an additional phase to this proceeding may be conducted to address the appropriation of ARPA funds and to address the implementation of Act 44, which allows programs to reduce greenhouse gas emissions in the thermal energy and transportation sectors. Under the requirements of the Process and Administration document, Efficiency Vermont must file a triennial plan for the 2024-2026 performance period by November 1, 2023. The plan should indicate whether Efficiency Vermont intends to file revisions to its approved DRP to reflect the authorization under Act 44.

VI. ORDER

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

1. The Memorandum of Understanding between the Vermont Public Power Supply Authority ("VPPSA") and Efficiency Vermont, contained in Exhibit EVT-KL-5, and Operating Protocol No. 1, contained in Exhibit EVT-KL-6, are accepted. Efficiency Vermont and VPPSA must comply with all the terms of the Memorandum of Understanding and Operating Protocol No. 1.

2. The electric and thermal-energy-and-process-fuels resource-acquisition budgets for Efficiency Vermont for the 2024-2026 performance period are those approved in this Order.

3. The electric and thermal-energy-and-process-fuels development and support services budgets, including budget categories, for Efficiency Vermont for the 2024-2026 performance period are those approved in this Order.

4. The 10-year thermal-energy-and-process-fuels planning budgets and 20-year electric planning budgets for Efficiency Vermont are those approved in this Order.

5. The compensation rate and structure for Efficiency Vermont, including the operations fee and performance-based incentive, are those approved in this Order.

6. The electric and thermal-energy-and-process-fuels quantifiable performance indicators and minimum performance requirements for Efficiency Vermont for the 2024-2026 performance period, including 100% targets and weighting factors, are those approved in this Order.

7. Within 30 days of this Order, based on the compensation structure and 100% targets approved in this Order, Efficiency Vermont must file for Commission approval tables containing the electric quantifiable performance indicators and minimum performance requirements for the 2024-2026 performance period, including corresponding incentive amounts for each target, minimum targets, 100% target levels, scaling calculations, and financial consequences for under-performance. Any comments on the filing and any requests for additional process are due 15 days later. All filings pursuant to this paragraph must be made in the compliance portion of this case.

8. The 20-year forecast of electric savings and 10-year forecast of thermal savings for Efficiency Vermont are those approved in this Order.

9. Within 30 days of this Order, Efficiency Vermont must file for Commission approval any updates to the 20-year forecast of electric savings and 10-year forecast of thermal savings based on the adjustments approved in this Order. Any comments on the filing and any requests for additional process are due 15 days later. All filings pursuant to this paragraph must be made in the compliance portion of this case.

10. The budgets for Regional Greenhouse Gas Initiative Trustee are those approved in this Order.

11. Section V.9 of the Process and Administration of an Energy Efficiency Utility Order of Appointment requires Efficiency Vermont to file a triennial plan for the 2024-2026 performance period by November 1, 2023. To the extent that a waiver or extension of the November 1 filing date is required, the parties should make a joint filing on this topic by October 20, 2023.

12. Within 30 days of today's Order, Efficiency Vermont, working with the Vermont Department of Public Service ("Department"), must file a status update and procedural recommendations, as appropriate, addressing any budget revisions that may result from Public Act 44 and the appropriation of American Rescue Plan Act funds. All filings pursuant to this paragraph must be made in the compliance portion of this case.

13. Within 90 days of today's Order, Efficiency Vermont must file for Commission approval proposed public affairs guidelines developed in collaboration with the Department. All filings pursuant to this paragraph must be made in the compliance portion of this case.

14. The Department intends to conduct a review of the information systems category of Efficiency Vermont's development and support services budgets. The deadline for a status report on the review of the information systems category is February 14, 2024, and the deadline for final recommendations is June 14, 2024. All filings pursuant to this paragraph must be made in the compliance portion of this case.

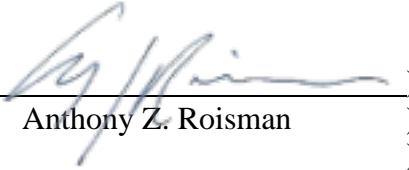
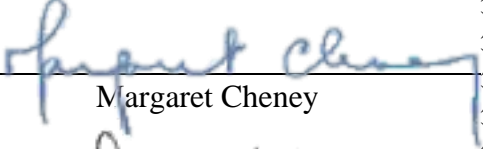
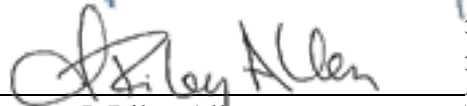
15. Within 90 days of today's Order, Efficiency Vermont must file for Commission approval an updated Service Quality and Reliability Plan developed in consultation with the Consumer Affairs and Public Information division of the Department. All filings pursuant to this paragraph must be made in a new proceeding.

16. Efficiency Vermont is directed to file a status report with the Commission if changes are made to the refrigerant management agreement with the Vermont Agency of Natural Resources and a different amount of electric resource-acquisition budgets are dedicated to the initiative. If a report is made, the Commission will determine if any changes are needed to Efficiency Vermont's approved resource-acquisition budgets. Any filings pursuant to this paragraph must be made in the compliance portion of this case.

17. Within 90 days of today's Order, Efficiency Vermont, working with the Department, must file a petition in a new proceeding to convene a working group to identify and work

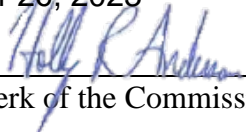
towards consensus on flexible load management needs, goals, and outcomes for Efficiency Vermont to pursue at the statewide level. The working group must include the following activities to assess ratepayer value: (1) identification of a methodology for quantifying the benefits; (2) articulation of the roles and responsibilities regarding deployment for distribution utilities and the efficiency utilities; and (3) evaluation of potential for Vermont. The working group may include participation by the distribution utilities, other Energy Efficiency Utilities, and Vermont Electric Power Company.

Dated at Montpelier, Vermont, this 26th day of September, 2023.

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

OFFICE OF THE CLERK

Filed: September 26, 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

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