Vermont Energy Efficiency Utility Fund

(An Enterprise Fund of the State of Vermont)

Financial Report
June 30, 2021

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Independent Auditors' Report

Vermont Public Utility Commission
Montpelier, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund and the combined total of the Vermont Energy Efficiency Utility Fund (Fund) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the combined total of the Fund as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fund's basic financial statements. The accompanying supplementary schedule of revenues, expenses and changes in net position is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2021 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

BST+Co.CPAs, LLP

Albany, New York
November 22, 2021

BST

Vermont Energy Efficiency Utility Fund

(An Enterprise Fund of the State of Vermont)

Management's Discussion and Analysis
Year Ended June 30, 2021

The Vermont Energy Efficiency Utility Fund is comprised of two major enterprise funds, the Energy Efficiency Utilities ("Primary Fund") and the Regional Greenhouse Gas Initiative ("RGGI Fund"), hereafter referred to as the "Fund." Management of the Fund is pleased to present its Financial Report for the fiscal year ended June 30, 2021, developed in compliance with Statement of Governmental Accounting Standard No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments* (hereafter "GASB 34"), and related standards. We encourage readers to consider the information presented on pages 3 to 6 in conjunction with the Fund's combining financial statements (presented on pages 7 to 9) to enhance their understanding of the Fund's financial performance.

RESPONSIBILITY AND CONTROLS

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

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

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

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

AUDIT ASSURANCE

The unmodified (i.e., clean) opinion of our independent external auditors, BST & Co. CPAs, LLP, is included on pages 1 and 2 of this report.

This section presents management's discussion and analysis of the Fund's financial condition and activities for the fiscal year ended June 30, 2021. This information should be read in conjunction with the financial statements.

Vermont Energy Efficiency Utility Fund

(An Enterprise Fund of the State of Vermont)

Management's Discussion and Analysis
Year Ended June 30, 2021

FINANCIAL HIGHLIGHTS

Major financial highlights of the Primary Fund for the fiscal year ended June 30, 2021 are listed below:

- The assets exceeded its liabilities at fiscal year-end by $16,941,815 (net position).
- In total, net position increased by $5,334,380.
- Total operating revenues were $62,727,127, a decrease of $4,992,167 from fiscal year 2020. Additionally, total operating expenses decreased by $19,812,683, or 25.7% compared to the prior year.

REQUIRED FINANCIAL STATEMENTS

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

The combining statement of net position includes all of the Fund's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to Fund creditors (liabilities).

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

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

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

FINANCIAL ANALYSIS

A. Net Position at Fiscal Year-End

The following table presents a condensed summary of the Primary Fund's overall financial position on June 30, 2021 and 2020:

	2021	2020	$ Change	% Change
Current assets	$ 26,679,007	$ 22,082,049	$ 4,596,958	20.8%
Current liabilities	4,301,049	5,985,175	(1,684,126)	-28.1%
Long-term liabilities	5,436,143	4,489,439	946,704	21.1%
Total liabilities	9,737,192	10,474,614	(737,422)	-7.0%
Total net position	$ 16,941,815	$ 11,607,435	$ 5,334,380	46.0%

FINANCIAL ANALYSIS - Continued

A. Net Position at Fiscal Year-End - Continued

The Primary Fund's total asset increased by approximately $4.6 million, which is due to significant decreases in program costs as Efficiency Vermont experienced slower demand for programs combined with supply chain issues. Approximately two thirds of the Primary Fund's assets consist of cash and cash equivalents maintained by the fiscal agents. The other third of the Primary Fund's assets consist of accounts receivables. No receivables were written off during the current fiscal year.

Total liabilities decreased by $737,422. The decrease in current liabilities was largely due to the significant decreases in program costs as Efficiency Vermont experienced slower demand for programs. The increase in long-term liabilities is due to the accrual of performance incentives on the 2021-2023 performance cycle that will be paid out in 2024. Further, the payout of the performance incentives to Vermont Energy Investment Corporation on the 2018-2020 performance cycle was made in October 2021, therefore the payout will not hit the fund until fiscal year 2022.

B. Change in Net Position during Fiscal Year 2021

The following table presents a condensed summary of the Primary Fund's activities during the fiscal years 2021 and 2020 and the resulting change in net position:

	2021	2020	$ Change	% Change
OPERATING REVENUES				
Assessments (Energy Efficiency Charges)	$ 53,586,497	$ 55,083,545	$ (1,497,048)	-2.7%
Forward Capacity Market	6,506,084	9,920,287	(3,414,203)	-34.4%
Regional Greenhouse Gas Initiative	2,634,546	2,715,462	(80,916)	-3.0%
Total Operating Revenues	62,727,127	67,719,294	(4,992,167)	-7.4%
OPERATING EXPENSES				
Energy programs	48,908,230	68,098,634	(19,190,404)	-28.2%
Monitoring and evaluation	2,352,748	1,789,489	563,259	31.5%
Program support services	5,395,237	6,543,211	(1,147,974)	-17.5%
Taxes	513,371	550,935	(37,564)	-6.8%
Total Operating Expenses	57,169,586	76,982,269	(19,812,683)	-25.7%
Operating Income (Loss)	5,557,541	(9,262,975)	14,820,516	-160.0%
NON-OPERATING REVENUES				
Distribution to participating utility	(242,706)	-	(242,706)	0.0%
Investment earnings	19,545	117,679	(98,134)	-83.4%
	(223,161)	117,679	(340,840)	-289.6%
CHANGE IN NET POSITION	5,334,380	(9,145,296)	14,479,676	-158.3%
NET POSITION, beginning of year	11,607,435	20,752,731	(9,145,296)	-44.1%
NET POSITION, end of year	$ 16,941,815	$ 11,607,435	$ 5,334,380	46.0%

The Primary Fund experienced a significant increase in net position of $5.3 million, compared to a decrease in net position in 2020 of $9.1 million. Over a two-year period, the Primary Fund had a combined decrease in net position of $3.8 million. Total assessments and forward capacity market charges decreased $1.7 million and $3.4 million, respectively. Total operating expenses decreased $19.8 million, of which $19.1 million is directly related to the timing of energy program expenses for Efficiency Vermont.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

During 2006, ISO-New England established a Forward Capacity Market (FCM) that will pay suppliers to ensure sufficient capacity is available to meet future peak loads, with the value of such payments determined by auction. This market is unique in that it allows energy efficiency, distributed generation, and other demand resources to compete directly with generators of electricity. On December 14, 2006, The VT Public Utility Commission (Commission) issued an Order authorizing the Primary Fund to participate in ISO-New England's FCM. Both Vermont Energy Investment Corporation (VEIC) and Burlington Electric Department (BED) now participate in the FCM. BED and VEIC's joint revenues from their FCM participation was $6,506,084 during fiscal year 2021.

State law requires that all of the Regional Greenhouse Gas Initiative (RGGI) auction revenue, net of program support services costs, be deposited into the Primary Fund, and that any such net revenues not transferred to the State PACE reserve fund must be used for funding thermal energy and process-fuel efficiency services. The fiscal year 2021 RGGI revenue deposited into the Primary Fund was $2,634,546, and the fiscal year 2020 RGGI revenue deposited into the Fund was $2,715,462.

The RGGI Fund's net position as of June 30, 2021 was $898,757 compared to $569,895 as of June 30, 2020. Total operating expenses of $2,839,813 in fiscal year 2021, compared to $2,267,468 in fiscal year 2020. The increase in expenses was attributable to the timing of the distribution of auction proceeds during fiscal year 2021.

During 2015 the Order of appointment was renewed for an additional 11 years through December 31, 2026. The Vermont Department of Public Service (DPS) no longer reviews vendor invoices, except upon demand. While DPS is ultimately responsible for energy efficiency programs, vendors are paid by fiscal agents without formal approval from DPS.

During January 2020, the Commission amended the Order of Appointment structure such that there is no longer a third-party fiscal agent that provides the accounting function of managing the Fund. Effective January 1, 2020, the three EEU's (Vermont Energy Investment Corporation, City of Burlington Electric Department and Vermont Gas Systems, Inc.) perform this function.

REQUESTS FOR ADDITIONAL INFORMATION

This financial report is designed to provide users with a general overview of the Fund's finances and to show the Fund's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Vermont Public Utility Commission, 112 State Street, Montpelier, VT 05620-2701.

Vermont Energy Efficiency Utility Fund

(An Enterprise Fund of the State of Vermont)

Combining Statement of Net Position

	June 30, 2021		
	Primary Fund - EEU	RGGI	Combined Total
ASSETS			
Current Assets			
Cash and cash equivalents	$ 17,684,927	$ 898,757	$ 18,583,684
Accounts receivable:			-
Receivable from energy distributors	8,994,080	-	8,994,080
Total Assets	$ 26,679,007	$ 898,757	$ 27,577,764
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	$ 4,058,582	-	$ 4,058,582
Taxes payable	242,467	-	242,467
Total current liabilities	4,301,049	-	4,301,049
Non-Current Liabilities			
Accrued VEIC performance incentive	5,436,143	-	5,436,143
Total Liabilities	9,737,192	-	9,737,192
NET POSITION			
Restricted			
Restricted for SMEEP	187,203	-	187,203
Restricted for TEPF	5,526,421	888,757	6,415,178
Restricted for Natural Gas	353,050	-	353,050
Unrestricted	10,875,141	10,000	10,885,141
Total Net Position	16,941,815	898,757	17,840,572
Total Liabilities and Net Position	$ 26,679,007	$ 898,757	$ 27,577,764

See accompanying notes to the financial statements.

Vermont Energy Efficiency Utility Fund

(An Enterprise Fund of the State of Vermont)

Combining Statement of Activities

	Year Ended June 30, 2021			
	Primary Fund - EEU	RGGI	Elimination	Combined Total
OPERATING REVENUES				
Assessments (Energy Efficiency Charges)	$ 53,586,497	-	-	$ 53,586,497
Forward Capacity Market	6,506,084	-	-	6,506,084
Regional Greenhouse Gas Initiative	2,634,546	3,164,560	(2,634,546)	3,164,560
Total Operating Revenues	62,727,127	3,164,560	(2,634,546)	63,257,141
OPERATING EXPENSES				
Energy programs	48,908,230	2,806,799	(2,634,546)	49,080,483
Monitoring and evaluation	2,352,748	-	-	2,352,748
Program support services	5,395,237	33,014	-	5,428,251
Taxes	513,371	-	-	513,371
Total Operating Expenses	57,169,586	2,839,813	(2,634,546)	57,374,853
Operating Income	5,557,541	324,747		5,882,288
NON-OPERATING REVENUES				
Distribution to participating utility	(242,706)	-	-	(242,706)
Investment earnings	19,545	4,115	-	23,660
	(223,161)	4,115	-	(219,046)
CHANGE IN NET POSITION	5,334,380	328,862	-	5,663,242
NET POSITION, beginning of year	11,607,435	569,895	-	12,177,330
NET POSITION, end of year	$ 16,941,815	$ 898,757	-	$ 17,840,572

See accompanying notes to the financial statements.

Vermont Energy Efficiency Utility Fund

(An Enterprise Fund of the State of Vermont)

Combining Statement of Cash Flows

	Year Ended June 30, 2021		
	Primary Fund - EEU	RGGI	Combined Total
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES			
Cash received from customers	$ 64,776,241	$ 3,164,560	$ 67,940,801
Cash paid to suppliers for goods and services	(57,907,008)	(2,839,813)	(60,746,821)
	6,869,233	**324,747**	**7,193,980**
CASH FLOWS USED BY NONCAPITAL FINANCING ACTIVITIES			
Distribution to participating utility	(242,706)	-	(242,706)
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES			
Interest income	19,545	4,115	23,660
Net increase in cash and cash equivalents	**6,646,072**	**328,862**	**6,974,934**
CASH AND CASH EQUIVALENTS, beginning of year	11,038,855	569,895	11,608,750
CASH AND CASH EQUIVALENTS, end of year	**$ 17,684,927**	**$ 898,757**	**$ 18,583,684**
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income	$ 5,557,541	$ 324,747	$ 5,882,288
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Change in accounts receivable	2,049,114	-	2,049,114
Change in accounts payable and accrued expenses	(1,660,984)	-	(1,660,984)
Change in taxes payable	(23,142)	-	(23,142)
Change in incentive accrual	946,704	-	946,704
	$ 6,869,233	$ 324,747	$ 7,193,980

See accompanying notes to the financial statements.

Note 1 - Organization and Summary of Significant Accounting Policies

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

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

a. Reporting Entity

Primary Fund – Energy Efficiency Utilities

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

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

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

Pursuant to 30 V.S.A. § 209, the Commission established a volumetric charge to customers, the Energy Efficiency Charge (EEC), for the support of energy efficiency programs. The EEC is collected by distribution utilities throughout the State and remitted to the Fund on a monthly basis. During fiscal year 2021, there were eighteen distribution utilities assessing these charges. Pursuant to Rule 5.300, the Commission issued a Memorandum dated November 1, 2020, which set the 2021 EEC rates for Vermont Gas, Efficiency Vermont, and Burlington Electric, respectively, to take effect with bills rendered on and after February 1, 2021. A subsequent order was issued on May 13, 2021 for the approval of fixed charges for net metered customers without a generation meter.

Forward Capacity Market

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

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

a. Reporting Entity - Continued

Regional Greenhouse Gas Initiative Fund of Vermont

During 2005, Vermont joined the Regional Greenhouse Gas Initiative (RGGI), an effort among nine states to cap and reduce CO_2 emissions from fossil-fuel-fired electric generation facilities with a nameplate capacity of 25 MW or greater. Vermont had approximately 1.2 million tons of CO^2 allowance annually through 2014, before reducing them over the subsequent four years. The allowances will be sold through auction, and the proceeds, net of program support services costs, will be used for the benefit of the State's consumers.

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

b. Basis of Accounting and Financial Statement Presentation

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

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

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

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation reduced by the net outstanding debt balances attributable to the acquisition of capital assets. There were no capital assets or related outstanding debt balances at June 30, 2021.

- *Restricted net position* has constraints placed on use, either externally or internally. Constraints include those imposed by laws and regulations of other governments. Restricted net assets on June 30, 2021, are presented in Note 6.

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

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

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

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

c. Estimates

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

d. Cash and Cash Equivalents

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

The Fund maintains its cash balances with a local financial institution under the control of the fiscal agents. Custodial credit risk is the risk that, in the event of a bank failure, the Fund's deposits may not be returned to it. As of June 30, 2021, the Primary Fund and the RGGI Fund had bank balances of $14,419,569 and $898,683, respectively, that were exposed to custodial credit risk since they were uninsured or uncollateralized.

e. Accounts Receivable

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

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

f. Accrued Performance Incentive

The Commission approves a Demand Resource Plan (DRP) that establishes the programs and services to be provided on a three-year performance cycle; the current performance cycle covers the triennial period 2021 through 2023. The DRP includes quantifiable performance indicators that monetarily incentivize non-utility entities to meet its goals. Currently, VEIC is the only EEU that qualifies for these monetary incentives. The incentives are accrued ratably over the three-year cycle, when upon completion, are subject to verification by DPS and approval by the Commission prior to being disbursed. The maximum electric energy efficiency performance incentive that VEIC can earn in the current performance cycle (2021-2023) is $4,952,176.

g. Subsequent Events

The Fund has evaluated subsequent events for potential recognition or disclosure through November 22, 2021, the date the financial statements were available to be issued.

Note 2 - Energy Program Distribution

Distributions for energy efficiency services were made to the VEIC, for Efficiency Vermont, BED, and VGS during the fiscal year by the fiscal agents in accordance with the terms of their contracts, or as directed by the DPS, with concurrence of the Commission. The Primary Fund's distributions for the fiscal year ended June 30, 2021 were made as follows:

	Unrestricted	TEPF	Natural Gas
Energy Efficiency Programs			
Efficiency Vermont			
Business New Construction	$ 1,674,886	$ -	$ -
Business Existing Facilities	14,278,824	-	-
Business TEPF	-	1,089,338	-
DPS TEPF Initiatives	-	-	-
Residential New Construction	2,494,535	-	-
Residential Existing Homes	5,029,436	-	-
Residential TEPF	-	7,050,927	-
Energy Efficient Products	9,179,989	-	-
ACT 62	1,756,777	-	-
Subtotal	34,414,447	8,140,265	-
Burlington Electric Department			
Business New Construction	596,232	-	-
Business Existing Facilities	772,264	-	-
Business TEPF	-	170,353	-
Residential New Construction	25,116	-	-
Residential Existing Homes	717,398	-	-
Residential TEPF	-	17,579	-
Energy Efficient Products	214,870	-	-
Subtotal	2,325,880	187,932	-
Green Mountain Power			
CEED Fund	-	67,012	-
Efficiency Fund Capacity	-	80,688	-
Subtotal	-	147,700	-
Vermont Gas Systems			
Residential New Construction	-	-	199,266
Residential Equipment Replace	-	-	1,196,917
Residential Retrofit Program	-	-	1,627,968
Commercial New Construction	-	-	163,397
Commercial Equipment Replace	-	-	135,427
Commercial Retrofit Program	-	-	369,031
Subtotal	-	-	3,692,006
Total	$ 36,740,327	$ 8,475,897	$ 3,692,006

Program support services costs paid by the RGGI Fund for the fiscal year ended June 30, 2021 to the Vermont Agency of Natural Resources were $28,522.

See accompanying notes to the financial statements.

Note 3 - Program Support Services

Program support services costs incurred by the Primary Fund for the fiscal year ended June 30, 2021, were as follows:

	Unrestricted	TEPF	Natural Gas
Efficiency Vermont			
Applied R&D	$ 230,565	$ 42,758	$ -
Education	396,776	69,319	-
Evaluation	313,465	54,510	-
Information Technology	1,186,839	227,249	-
Planning and Reporting	355,963	67,863	-
Policy and Public Affairs	529,475	99,661	-
Performance Incentives	724,659	222,044	-
Subtotal	3,737,742	783,404	-
Burlington Electric Department			
Applied R&D	1,028	-	-
Education	41,514	2,110	-
Evaluation	14,505	414	-
General Administration	114,241	6,071	-
Information Technology	24,823	579	-
Planning and Reporting	30,955	2,413	-
Policy and Public Affairs	8,098	1,361	-
Smart Grid and AMI	410	-	-
Subtotal	235,574	12,948	-
Vermont Gas Systems			
Applied R&D	-	-	5,962
Education and Training	-	-	54,580
Evaluation	-	-	36,835
General Administration	-	-	25,487
Information Technology	-	-	75,694
Planning and Reporting	-	-	47,734
Policy and Public Affairs	-	-	20,664
Subtotal	-	-	266,956
Other			
EEU Advertising	-	-	-
Other expenses	-	-	-
Uncollectibles	176,942	-	-
Fiscal Agent and Audit Fees	174,368	(430)	-
Bank Fees	7,733	-	-
TEPF Clearinghouse	-		-
Subtotal	359,043	(430)	-
Total	$ 4,332,359	$ 795,922	$ 266,956

See accompanying notes to the financial statements.

Note 4 - DPS Monitoring and Evaluation

The Department of Public Services (DPS) monitoring and evaluation expenses incurred by the Primary Fund for the fiscal year ended June 30, 2021, were as follows:

	Unrestricted	SMEEP	TEPF	Natural Gas	Total
VEEUF	$ 1,254,263	$ -	$ -	$ -	$ 1,254,263
Forward Capacity Market	-	-	559,992	-	559,992
TEPF Initiatives	-	-	230,550	-	230,550
SMEEP	-	52,605	-	-	52,605
Natural Gas		-	-	255,338	255,338
	$ 1,254,263	$ 52,605	$ 790,542	$ 255,338	$ 2,352,748

Note 5 - Taxes

Pursuant to 33 V.S.A. § 2503, a fuel tax of 0.5 percent on electricity assessment collections and a fuel tax of 0.75 percent on natural gas assessment collections are payable to the Home Weatherization Assistance Fund. Payments are made quarterly to the Vermont Department of Taxes. Additionally, pursuant to 30 V.S.A. §22, a gross operating revenue tax of 0.52 percent on electricity assessment collections and 0.3 percent on natural gas assessment collections is payable to the Vermont State Treasurer annually to finance the DPS and the Commission.

As of June 30, 2021, the following taxes were payable:

Gross Operating Revenue Taxes	$ 186,630
Home Weatherization Assistance Fund Taxes	55,837
	$ 242,467

Expenses related for the fiscal year ended June 30, 2021 were:

Gross Operating Revenue Taxes	$ 266,431
Home Weatherization Assistance Fund Taxes	246,940
	$ 513,371

Note 6 - Net Position

The Primary Fund's restricted net position as of June 30, 2021, comprises the following:

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

See accompanying notes to the financial statements.

Note 6 - Restricted Net Position - Continued

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

Restricted for GMP EEF monitoring & evaluation – The Commission set up an Energy Efficiency Fund (EEF) to invest in projects that deliver significant and incremental benefits to Green Mountain Power (GMP) ratepayers. GMP was directed to invest $7.4 million in existing business sector energy efficiency services and new residential programs within its service territory over a five-year period. EEF monies received by the Fund are restricted for DPS's evaluation and verification of the EEF activities.

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

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

RGGI Fund

The Commission established a minimum balance of $10,000 to minimize program support services costs. The remaining net position balance on June 30, 2021, of $888,757 was restricted for use by the Fund for thermal energy and process fuels energy efficiency programs approved by the Public Utility Commission.

Note 7 - Accounting Pronouncement Issued but Not Yet Implemented

GASB Statement No. 87, *Leases* (GASB 87). GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use and underlying asset. Under this statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about government's leasing activities. The requirements of this statement, as delayed by GASB 95, are effective for reporting periods beginning after June 15, 2021.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the end of a Construction Period.* This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this statement. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources

Note 7 - Accounting Pronouncement Issued but Not Yet Implemented - Continued

measurement focus. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this statement, as delayed by GASB 95, are effective for reporting periods beginning after December 15, 2020.

GASB Statement No. 91, *Conduit Debt Obligations.* This statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice. This statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer, establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangement associated with conduit debt obligations, and improves note disclosures. The requirements for this statement, as delayed by GASB 95, are effective for reporting periods beginning after December 15, 2021.

GASB Statement No. 92, *Omnibus 2020.* This statement addresses a variety of topics including leases, intra-entity transfers, fiduciary activities, public entity risk pools/reinsurance recoveries, fair value measurements, and derivative instrument terminology. The requirements of this statement, as delayed by GASB 95, are effective for periods beginning after June 15, 2021.

GASB Statement No. 93, *Replacement of Interbank Offered Rates.* The objective of this statement is to address accounting and financial reporting implications that result from the replacement of interbank offered rates (IBOR), such as providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the refence rate of the hedging derivative instrument's variable payment. The removal of the London IBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. The requirements relating to lease modifications, as delayed by GASB 95, are effective for reporting periods beginning after June 15, 2021. All other requirements of this statement are effective for reporting periods beginning after June 15, 2020.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this statement are effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Under this statement, a government generally should recognize a right-to-use subscription asset and a corresponding subscription liability. The requirements of this statement are effective for fiscal years beginning after June 15, 2022.

Note 7 - Accounting Pronouncement Issued but Not Yet Implemented - Continued

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Service Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and 84, and a Supersession of GASB Statement No. 32.* The primary objectives of this statement are to (1) increase consistency and comparability relating to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associates with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, expect for a potential component unit that is a defined contribution pension plan, a defined contribution other postemployment benefit plan, or another employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board would typically perform. The requirements of this statement that (1) exempt primary governments that perform duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution other

postemployment benefit plans, or other employee benefit plans and (2) limit the applicability of the financial burden criteria, are effective immediately. The requirements of this statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this statement that provide for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021.

Management has not yet estimated the extent of the potential impact of these statements on the Fund's financial statements.

Vermont Energy Efficiency Utility Fund

(An Enterprise Fund of the State of Vermont)

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

	Year Ended June 30, 2021					
	Unrestricted	SMEEP	TEPF	GMP EEF	Natural Gas	EEU Total
OPERATING REVENUES						
Assessments (Energy Efficiency Charges)	$ 50,197,744	$ -	$ -	$ -	$ 3,388,753	$ 53,586,497
Forward Capacity Market	-	-	6,506,084	-	-	6,506,084
Regional Greenhouse Gas Initiative	-	-	2,634,546	-	-	2,634,546
Total Operating Revenues	$ 50,197,744	-	$ 9,140,630	-	$ 3,388,753	$ 62,727,127
OPERATING EXPENSES						
Energy programs	36,740,327	-	8,475,897	-	3,692,006	48,908,230
Monitoring and evaluation	1,254,263	52,605	790,542	-	255,338	2,352,748
Program support services	4,332,359	-	795,922	-	266,956	5,395,237
Taxes	487,981	-	-	-	25,390	513,371
Total Operating Expenses	42,814,930	52,605	10,062,361	-	4,239,690	57,169,586
Operating Income (Loss)	$ 7,382,814	$ (52,605)	$ (921,731)	$ -	$ (850,937)	$ 5,557,541
NON-OPERATING REVENUES						
Distribution to participating utility	(226,900)	-	-	(15,806)	-	(242,706)
Investment earnings	19,545	-	-	-	-	19,545
	(207,355)	-	-	(15,806)	-	(223,161)
Change in Net Position	$ 7,175,459	$ (52,605)	$ (921,731)	$ (15,806)	$ (850,937)	$ 5,334,380
Net Position - Beginning of Year	3,699,682	239,808	6,448,152	15,806	1,203,987	11,607,435
Net Position - End of Year	$ 10,875,141	$ 187,203	$ 5,526,421	-	$ 353,050	$ 16,941,815

See Independent Auditor's Report.

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

Vermont Public Utility Commission
Montpelier, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund and the combined total of the Vermont Energy Efficiency Utility Fund (Fund) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated November 22, 2021.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

BST+Co.CPAs, LLP

Albany, New York
November 22, 2021