REPORT TO THE VERMONT LEGISLATURE

2020 Energy Efficiency Utility Program Revenues and Expenditures

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

April 14, 2022

VERMONT

PUBLIC UTILITY COMMISSION

I. Introduction and Statutory Basis

In accordance with 30 V.S.A. § 209, the Vermont Public Utility Commission ("Commission") is providing the Vermont Legislature with a final report ("Report") on the Energy Efficiency Utility Fund ("EEU Fund") revenues and expenditures for activity through December 31, 2020.[1] The vast majority of the expenditures support the energy efficiency services provided by Efficiency Vermont, the City of Burlington Electric Department ("BED"), and Vermont Gas Systems, Inc. ("Vermont Gas").[2] This Report includes information summarizing the results of the activities paid for by the EEU Fund in 2020.[3]

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

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

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

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

[3] This Report is for the 2020 program year because the EEU Fund has not yet been audited and the program savings have not yet been verified for 2021. There is a necessary lag in reporting this information to the Legislature because the program savings verification by the Vermont Department of Public Service ("Department") and the independent audit of the EEU Fund must both be completed during the calendar year following the program year.

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

II. 2020 Revenues and Expenditures

Through December 31, 2019, Batchelder Associates, PC, was the company under contract with the Commission as the Fiscal Agent for the EEU Fund during the program year.[5] Beginning January 1, 2020, the Fiscal Agent role transferred to each EEU, and Efficiency Vermont was designated to serve as the RGGI Trustee. The financial figures related to the EEU Fund in this Report are based on the Fiscal Agents' year-end reports. The firm BST & Co. was engaged by the Commission to perform an independent audit of the EEU Fund's revenues and expenditures. The attached Independent Auditor's Report provides additional information on the revenues and expenditures of Vermont's EEU programs that coincide with the State's Fiscal Year 2021.[6] A brief summary of the EEU Fund follows.

Total revenues collected by the EEU Fund during calendar year 2020 were $63,598,470 (including revenues collected through the energy efficiency charge on electric and natural gas customers' bills, Efficiency Vermont's and BED's participation in the Forward Capacity Market, Vermont's participation in the RGGI program, taxes, and interest income accrued).[7] The following table shows the sources of these revenues.

Electric EEC	$49,758,145
Natural Gas EEC	$3,335,816
Forward Capacity Market	$8,093,495
RGGI	$2,370,964
Interest Income	$40,050

Total expenditures from the EEU Fund during calendar year 2020 were $67,562,511. Most of the expenditures were for the implementation of electric, natural gas, and TEPF efficiency programs. The remainder of expenditures were for other necessary cost categories, including monitoring and evaluation activities undertaken by the Department, administrative costs (such as the services of the EEU Fiscal Agent, and the EEU Fund audit), and taxes. It is expected that

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

[6] In the past, the Commission has engaged the auditor to perform two audits of the EEU Fund: one to coincide with the calendar year activities of the Fund and of the EEUs, and the second to coincide with the State of Vermont fiscal year. The Commission has eliminated the calendar year audit to conserve Vermont ratepayer funds.

[7] The revenue and expenditure figures in this paragraph are presented on an accrual basis.

revenues and expenditures will be closely matched over the life of the three-year budget cycle for the EEU services.[8]

III. Program Achievements

While the statute does not require the Commission to report on the program activities of the EEUs, this Report summarizes the EEUs' key accomplishments in 2020. Additional information on these activities can be found in the EEUs' annual reports.[9]

Efficiency Vermont

The electric efficiency investments made by Efficiency Vermont in 2020 are projected to provide Vermonters a total resource benefit of approximately $82,359,871 over the 10.8-year weighted lifetime average of the investments.[10] The TEPF investments are projected to provide a total resource benefit of approximately $20,212,695 over the 15.5-year weighted lifetime average of the investments. Efficiency Vermont estimates that it provided efficiency services to 57,201 Vermonters in 2020 (approximately 48,573 households and 8,628 businesses). Efficiency Vermont's electrical savings were 99,607 MWh, while its savings for TEPF efficiency, primarily associated with the Home Performance with Energy Star service, totaled 92,049 MMBtu in 2020.

BED

The electric efficiency investments in EEU services made by BED in 2020 are projected to provide BED customers a total resource benefit of approximately $6,906,458 over the 15-year weighted average lifetime of the investments.[11] BED provided efficiency services to approximately 1,228 customers in 2020 (448 business customers and 780 residential customers). BED's electrical savings totaled 3,792 MWh, while its residential savings for TEPF efficiency,

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[8] The Commission established the EEU budgets for 2018, 2019, and 2020 in orders issued on July 7, 2017, October 12, 2017, and November 9, 2017, in Case No. EEU-2016-03. The EEU program is operated on a three-year performance cycle, and expenses can outpace revenue in a given year but are capped by the three-year budget approved by the Commission. (The associated energy efficiency charge revenue collections are enough to cover only 35 of 36 months of the three-year budgets; the 36th month of collections occurs after the end of the three-year budget period. As determined by a Commission Order issued on March 29, 2013, in EEU-2011-06, the EEU Fund includes an additional $1.6 million collected through the energy efficiency charge during 2014 and 2015 to address the one-month lag between energy efficiency charge collection and program expenditures.)

[9] *See* BED's 2020 Annual Report at https://epuc.vermont.gov/?q=node/64/158414, Efficiency Vermont's 2020 Annual Report at https://epuc.vermont.gov/?q=node/64/165114, and Vermont Gas's 2020 Annual Report at https://epuc.vermont.gov/?q=node/64/166376.

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

[11] BED's kWh savings and benefit figures have not yet been independently verified. The Department's verification report on BED's 2020 savings and benefits claims will be filed soon.

primarily associated with the Home Performance with Energy Star service, totaled 38 MMBtu in 2020.

Vermont Gas

Vermont Gas's 2020 investments in its energy efficiency programs are expected to result in lifetime savings of 1,200,560 Mcf of natural gas with a total resource benefit of approximately $13,580,665. Residential customers received 34 percent of these benefits and commercial and industrial customers realized approximately 66 percent.

IV. Residential Energy Efficiency Goals

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

Annually, the Department reports on the state's progress on meeting the building energy efficiency goals identified in Section 581(1).[12] The participating organizations include Efficiency Vermont, BED, Vermont Gas, the Weatherization Assistance Program of the Vermont Office of Economic Opportunity ("WAP"), and 3E Thermal.[13] During 2020, these organizations completed 2,246 comprehensive residential retrofit projects. Cumulatively, approximately 31,535 homes have substantially improved their energy fitness, with WAP completing 13,716 housing units, Efficiency Vermont 10,762, Vermont Gas 4,139, 3E Thermal 2,825, and BED 93.

While steady progress has been made toward achieving these energy efficiency goals, only 39% of the 2020 goal of 80,000 housing units has been achieved. Efficiency Vermont's and BED's thermal energy efficiency opportunities are limited by the available Forward Capacity Market and RGGI revenues, which are expected to decrease significantly in coming years. Vermont Gas's energy efficiency opportunities are limited by the size of its service territory. As a result of the limited funding for these programs, as well as other barriers including the lack of customer information and access to capital, split incentives for rental properties, and shortage of a qualified workforce, the 2020 goal was not achieved. Although this milestone has been missed, we nonetheless recommend that the Legislature continue to explore all options to increase available funding to help improve the energy fitness of Vermont's housing stock, which would result in substantial benefits to Vermont residents.[14]

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[12] *See* the Department's 2020 report at https://epuc.vermont.gov/?q=node/64/165474.

[13] 3E Thermal was formerly known as the Vermont Fuel Efficiency Partnership.

[14] Comprehensive energy retrofits reduce energy bills and greenhouse gas emissions from the combustion of fossil fuels, and provide improved health, safety, and comfort for residents.

V. Conclusion

This report, the attached auditor's report, and the EEU annual reports and fiscal agent reports referenced within show: (1) the EEU Fund is being managed appropriately; and (2) the energy savings achieved by Efficiency Vermont, BED, and Vermont Gas in 2020 benefitted all Vermonters, whether or not they directly participated in EEU programs.

The State has enacted ambitious residential energy efficiency goals – seeking to substantially improve the energy fitness of at least 20% of Vermont's housing stock by 2017 and 25% by 2020.[15] The Commission is required to ensure that the energy efficiency programs implemented by the EEUs are designed to make continuous and proportional progress toward attaining these goals.[16] Despite the commendable efforts of the EEUs and other participating organizations, the important residential energy efficiency goals were not met. The Commission recommends that the Vermont Legislature continue to prioritize the identification of new funds for the purpose of substantially improving the energy fitness of Vermont's housing stock so that the meaningful health, environmental, social, and economic benefits may be realized for Vermont's citizens.

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

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

[15] 10 V.S.A. § 581(1).
[16] 30 V.S.A. § 209(f)(15).
[17] http://puc.vermont.gov/energy-efficiency-utility-program.