

VT PUC Case No. 19-3272-PET Materials

STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 19-3272-PET

Petition of Vermont Department of Public)
Service to open a proceeding to initiate an EEU)
Demand Resource Plan proceeding for the 2021-)
2023 performance period)

**PREFILED REBUTTAL TESTIMONY OF
DAVID C. WESTMAN
ON BEHALF OF EFFICIENCY VERMONT**

April 17, 2020

In this testimony Witness Westman identifies and describes Efficiency Vermont's revisions to its Demand Response Plan Proposal and summarizes its response to the recommendations advanced by the Vermont Department of Public Service and the Vermont Public Power Supply Authority. The testimony also introduces Efficiency Vermont's supporting witnesses and their testimonies.

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EXHIBITS

Exhibit No. EVT-DW-2	The Memorandum of Understanding entered into by Vermont Energy Investment Corporation and the Vermont Public Power Supply Authority dated April 16, 2020
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**PREFILED REBUTTAL TESTIMONY OF DAVID C. WESTMAN
ON BEHALF OF
EFFICIENCY VERMONT**

I. INTRODUCTION

1 **Q. Please state your name and business address.**

2 **A. My name is David C. Westman. My business address is 20 Winooski Falls Way, 5th**
3 Floor, Winooski, Vermont, 05404.

4 **Q. Are you the same Mr. Westman that previously prefiled testimony in this**
5 **proceeding?**

6 **A. Yes I am.**

7 **Q. What is the purpose of your testimony?**

8 **A. The purpose of my testimony is to identify and describe Efficiency Vermont’s revisions**
9 to its Demand Resource Plan (“DRP”) Proposal and responses to the recommendations
10 advanced by the Vermont Department of Public Service (the “Department” or “DPS”)
11 and the Vermont Public Power Supply Authority (“VPPSA”). I also introduce Efficiency
12 Vermont’s supporting witnesses and their testimonies.

13 **Q. What recommendations are addressed in Efficiency Vermont’s rebuttal testimony?**

14 **A. In addition to providing a revised budget and DRP proposal, Efficiency Vermont’s**

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1 rebuttal testimony responds to comments and recommendations advanced by the
2 Department concerning:

- 3 ▪ the importance of fixed Energy Efficiency Charge (“EEC”) rates versus fixed
4 energy efficiency utility (“EEU”) budgets
- 5 ▪ the DPS Budget Recommendations regarding:
 - 6 ▪ the proposed Thermal Energy and Process Fuel (“TEPF”) budget
 - 7 ▪ the proposed Resource Acquisition (“RA”) budget
 - 8 ▪ the proposed Development and Support Service (“DSS”) budget
- 9 ▪ the treatment of AMI, Data Analytics and Tier III costs
- 10 ▪ the Flexible Load Management (“FLM”) proposal
- 11 ▪ the Refrigerant Management proposal
- 12 ▪ the DPS Low-income Customer EEC discount proposal
- 13 ▪ the recommendation to increase the low-income equity constraint to 85%
- 14 ▪ Efficiency Vermont’s compensation proposal, operations fee and performance
15 metrics
- 16 ▪ the timing of payment of Performance Awards and the claw-back proposal
- 17 ▪ the treatment of Energy Savings Account (“ESA”) savings impacts
- 18 ▪ the DPS rate and bill impact analysis

19 The rebuttal testimony also responds to VPPSA’s comments concerning:

- 20 ▪ the services and service metrics to be adopted in connection with Efficiency
21 Vermont’s DRP Proposal; and
- 22 ▪ distribution utility equity concerns.

23 **Q. Has Efficiency Vermont developed any revisions to its DRP Proposal?**

24 **A.** Yes, the recent COVID-19 pandemic and State of Emergency in Vermont has changed
25 the overriding conditions of the State’s economy and marketplace for efficiency activity
26 in the near term, and in all likelihood the impacts will extend into the 2021-2023

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1 performance period that this DRP proceeding is intended to address. Fundamentally, the
2 assumptions made by Efficiency Vermont in its initial December 13, 2019 DRP Proposal
3 have changed. Therefore, and in light of economic uncertainty and the need for the EEU
4 to better serve its customer’s needs and interests, Efficiency Vermont has reconfigured its
5 electric efficiency proposal to accommodate and better align with certain
6 recommendations advanced by the Department. This includes a reduction in the
7 proposed electric portion of Efficiency Vermont’s budget, and scaling-back of certain
8 FLM and refrigerant management activities.

9 Additionally, this proposal includes revisions to the TEPF budget resulting from
10 changes in the forward capacity market. A revised DSS budget proposal has also been
11 developed that works with the updated RA Budgets. The revised DSS and RA budgets
12 also reclassify data tool and data analytic costs from the DSS to the RA budget.

13 It is Efficiency Vermont’s belief that these revisions create significant alignment
14 of its Proposal with the Department’s recommendations and some of the most substantive
15 matters presented in this case so far.

16 The testimony also sponsors the Memorandum of Understanding dated April 16,
17 2020 offered by Efficiency Vermont and VPPSA. If approved by the Commission the
18 MOU would resolve VPPSA’s concerns with Efficiency Vermont’s DRP Proposal and its
19 implementation would involve the creation of processes, arrangements and
20 understandings that together attempt to incorporate the recommendations concerning the
21 DRP Proposal advanced by VPPSA.

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1 **Q. Do you sponsor any exhibits?**

2 **A.** Yes I do. Appended to my testimony as Exhibit No. EVT-DW-2 is the Memorandum of
3 Understanding dated April 16, 2020, entered into by and between Efficiency Vermont
4 and VPPSA.

II. SUMMARY

5 **Q. Please summarize your testimony.**

6 **A.** Through its rebuttal testimony Efficiency Vermont sponsors revisions to its
7 comprehensive Demand Resource Plan Proposal and responses to the recommendations
8 advanced by the Department and VPPSA. Efficiency Vermont determined that it was
9 necessary to reconsider its initial DRP Proposal in light of the very recent events brought
10 about by the COVID-19 pandemic and State of Emergency, and on account of the
11 recommendations. The revisions to the DRP Proposal now offered by Efficiency
12 Vermont are the result of a rigorous re-examination and re-modeling of the strategies and
13 assumptions that underlie its DRP Proposal. The results are a smaller budget proposal for
14 the 2021-2023 performance period that targets flat EEC charges throughout that period
15 but still strives to acquire nearly the same energy savings as initially proposed. A revised
16 TEPF budget and revised DSS budget are also proposed. Several notable
17 recommendations advanced by the Department are adopted in the revisions including a
18 reduction in the scale of proposed Flexible Load Management and refrigerant
19 management activities. The revisions also include a set of agreements, procedures,
20 processes and arrangements that were developed by Efficiency Vermont and VPPSA, and

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1 are described in a Memorandum of Understanding included as Exhibit No. EVT-DW-2.

2 While Efficiency Vermont’s revised DRP Proposal includes new performance
3 targets based on the revised budgets and modeling results, it does not substantively alter
4 the structure of the compensation proposal, but does adopt the Department’s suggested
5 electric minimum performance requirement for low income spending. A revised
6 compensation matrix incorporates these changes under the revised budget and
7 performance proposal . The performance targets and compensation structure now
8 advanced under the revised DRP Proposal establish a significant challenge and, from
9 VEIC’s perspective, increase the risk that the full amount of compensation available will
10 not be earned during the performance period. By striving to hold the line on EEC rate
11 increases, the revised proposal was designed to reward innovation that results in quality
12 service at lower cost while still affording the EEU administrator a reasonable opportunity
13 to earn a fair return on its delivery of programs and services.

14 Like Efficiency Vermont’s initial proposal, the revised DRP Proposal is designed
15 to deliver a coordinated set of programs and services to meet the public's need for energy
16 services through efficiency, conservation, or load management in all customer classes
17 and areas of opportunity that is designed to acquire the full amount of cost-effective
18 savings from such programs and services. Efficiency Vermont’s modeling results
19 confirm that the revised portfolio of proposed programs and services should be beneficial
20 for customers and help them to satisfy their end-use demands at lower societal cost. In
21 this way, the portfolio advances Vermont’s dual goals of using energy efficiently and

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1 reducing Vermont’s emission of greenhouse gases.

2 As shown in my testimony and in the testimonies of its other supporting
3 witnesses, Efficiency Vermont’s revised DRP Proposal should be found to satisfy
4 applicable regulatory requirements and approved by the Commission for implementation
5 in this proceeding.

6 **Q. How is Efficiency Vermont’s rebuttal testimony organized?**

7 **A.** Efficiency Vermont’s rebuttal testimony sponsors revision to its DRP Proposal, and responds to
8 comments and recommendations advanced by the Department and VPPSA. The testimony is
9 organized as follows:

10	<u>Witness</u>	<u>Subject Matter of Rebuttal Testimony</u>
11	David Westman	My rebuttal testimony identifies and describes
12		Efficiency Vermont’s revisions to its Demand
13		Response Plan Proposal and summarizes its
14		response to the recommendations advanced by the
15		Vermont Department of Public Service and the
16		Vermont Public Power Supply Authority. The
17		testimony also introduces Efficiency Vermont’s
18		supporting witnesses and their testimonies
19	Jay Pilliod	Witness Pilliod’s testimony describes revisions to
20		Efficiency Vermont’s electric and Thermal Energy
21		and Process Fuel (“TEPF”) resource acquisition
22		modeling assumptions and results for its 2021-2040
23		Demand Resources Plan model. Witness Pilliod
24		also responds to the Department’s comments
25		concerning the budget proposed for refrigerant
26		management activities.
27	Marcus Jones	Witness Jones describes Efficiency Vermont’s
28		revised Flexible Load Management proposal
29		including its scale, scope, Quantitative Performance

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Indicator, and the restricted budget proposal.

Carol Weston Witness Weston describes how Efficiency Vermont’s programs, services and budgets are changed in its revised DRP Proposal. This includes how changes to the scope of Flexible Load Management (“FLM”), Refrigerant Management and the TEPF budget impact Efficiency Vermont’s Development and Support Services (“DSS”) budget. Witness Weston also describes Efficiency Vermont’s response to the Department of Public Service’s recommendations concerning FLM, Refrigerant Management, and the DSS budget including the treatment of Advanced Metering Infrastructure (“AMI”) utility data management costs, data analytics, and Tier III program costs. This testimony also provides support for the approval of the Memorandum of Understanding between Efficiency Vermont and the Vermont Public Power Supply Authority that was developed by the parties to address VPPSA’s recommendations concerning Efficiency Vermont’s DRP Proposal.

Jim Massie Witness Massie provides Efficiency Vermont’s response to the Department of Public Service’s compensation proposal including: the amount set aside for compensation; the number and makeup of Qualitative Performance Indicators (“QPIs”) and Minimum Performance Requirements (“MPR”); the 5% adjustment to performance metrics; changes in budget/managerial flexibility to achieve performance metrics; the riskiness of the performance-compensation mechanism; the Shared Operational Cost Savings proposal versus the proposed Administrative Efficiency QPI; changes to the proposed Operations Fee; the timing of Performance Award payments; the DPS claw-back proposal; and the reasonableness of Efficiency Vermont’s compensation proposal.

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III. DISCUSSION

1 **Q. Please summarize Efficiency Vermont’s response to the recommendations made by**
2 **the Department of Public Service concerning Efficiency Vermont’s DRP Proposal.**

3 **A.** In its direct testimony the Department offers many recommendations to the Commission
4 based on Efficiency Vermont’s DRP Proposal. The Department does not offer a proposal
5 of its own. Witness Poor describes the Department’s position by stating:

6 The Department’s recommendations are intended to increase ratepayer
7 value from Vermont’s substantial investment in energy efficiency by
8 proposing increased resource acquisition targets for Efficiency Vermont
9 and BED, while decreasing the public funds necessary to achieve these
10 targets. The Department’s recommendations create a reasonable
11 risk/reward balance that acquires all reasonably available cost-effective
12 efficiency resources. Further, the Department’s recommendations support
13 an increased focus on greenhouse gas reductions through an appropriately
14 scaled refrigerant management pilot, as well as supporting an
15 appropriately scaled pilot for Energy Efficiency Utilities (“EEUs”) to
16 support distribution utility activities regarding Flexible Load Management.
17 Finally, the Department advocates for low-income customers to receive
18 assistance towards their Efficiency Charge contributions.

19 Poor *pf.* of 2/21/2020 at 5. With respect to the elements of Efficiency Vermont’s DRP
20 Proposal, Witness Poor states:

21 ...the Department’s recommendations include modifications to the
22 proposed compensation structure for VEIC, modifications to two pilot
23 proposals for service delivery, slight modifications to Development and
24 Support Services program budgets, and changes to Quantifiable
25 Performance Indicators and Minimum Performance Requirements to
26 better serve Vermonters and better balance the risk/reward structure of
27 their efficiency delivery.

28 Id. at 6. Efficiency Vermont’s rebuttal testimony responds to these recommendations in
29 support of the approval of a Revised DRP Proposal with notable updates described at this

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1 time.

2 Efficiency Vermont’s DRP Proposal was expressly developed to further the goals
3 for the delivery of efficiency services as prescribed by the Commission in a manner
4 consistent with precedent. The proposal provides for the delivery of innovative services
5 designed to cost-effectively achieve the dual goals of using energy efficiently and
6 reducing Vermont’s greenhouse gas (“GHG”) emissions while avoiding the creation of
7 lost opportunities and helping to future proof end-uses to participate in distribution utility
8 FLM activities.

9 The difference between the recommendations of the Department and Efficiency
10 Vermont’s proposal are small in comparison to the apparent agreement with the majority
11 of the proposal’s elements. In many cases, the parties’ differences concern the emphasis
12 that should be given to the numerous and sometimes competing policy objectives
13 established for the approval of EEU activities. Efficiency Vermont endeavored to
14 propose a balanced portfolio of programs and services in its initial DRP Proposal.

15 In response to the testimony and exhibits advanced by the Department and in light
16 of very recent events, Efficiency Vermont has reviewed its initial DRP Proposal and
17 identified substantive changes in the first performance period that would better align the
18 Efficiency Utility’s services with customer needs stemming from the unprecedented
19 nature and impact of the COVID-19 pandemic. Specifically, Efficiency Vermont now
20 proposes a revision to its DRP Proposal that is designed to address the following:

- 21
- lower the Efficiency Vermont budget to an amount expected to yield flat

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- 1 EEC rates;
- 2 ▪ lower the TEPF budget to better reflect expected revenues;
- 3 ▪ reclassify AMI data tools and data analytic costs from to the DSS budget
- 4 to the RA budget; and
- 5 ▪ propose amended performance metrics based on the modeling results from
- 6 the revised budget proposals.

7 Efficiency Vermont’s supporting witnesses provide specific responses to the

8 Department’s comments and describe how Efficiency Vermont proposes to address the

9 Department’s recommendations.

10 **Q. Please summarize Efficiency Vermont’s response to the recommendations made by**

11 **VPPSA.**

12 **A.** In order to address VPPSA’s recommendations, Efficiency Vermont worked directly with

13 VPPSA to determine if processes, procedures, arrangements and understandings could be

14 developed to address VPPSA’s recommendations. Towards that end, the parties were

15 able to reach an MOU that is included with my testimony as Exhibit No. EVT-DW-2.

16 My testimony, and Witness Weston’s, also provides support for the Commission’s

17 approval of the MOU.

1. EFFICIENCY VERMONT’S REVISED BUDGETS

18 **Q. What budgets for years 2021-2023 does Efficiency Vermont recommend that the**

19 **Commission adopt for the EEU programs and services to be provided by Efficiency**

20 **Vermont?**

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1 **A.** Efficiency Vermont recommends that the Commission approve the revised DRP budgets
2 and modeling results described in Exhibit Nos. EVT-JP-2 *Revised Resource Acquisition*
3 *Model Results for 2021-2040 Electric Demand Resources Plan and 2021-2030 TEPF*
4 *Demand Resources Plan*, EVT-JEM-6 *Revised Efficiency Vermont Budgets*, EVT-JEM-7
5 *Revised 2021-2023 Performance Compensation Tables*, EVT-JEM-8 *Revised Efficiency*
6 *Vermont Compensation Proposal*, and EVT-CW-3 *Revised Efficiency Vermont*
7 *Development and Support Services 2021-2023 Budget Tables*. Together these materials
8 reflect Efficiency Vermont’s Revised DRP Proposal.

9 Witness Massie describes and sponsors the revised electric and thermal RA
10 budgets. These budgets include scaled-back FLM and refrigerant management activities.
11 The updated TEPF budget differs from the Department’s projection to better forecast
12 expected Forward Capacity Market (“FCM”) and Regional Greenhouse Gas Initiative
13 (“RGGI”) revenues using the most current information available, as of this filing.
14 Efficiency Vermont revised its DSS budget to account for the changes to its proposed
15 resource acquisition activities and to adopt the Department’s recommendations
16 concerning the treatment of AMI and data analytics costs. The updated DSS budget is
17 described in the rebuttal testimony of Witness Weston.

18 **Q.** **Please describe the changes that are incorporated in Efficiency Vermont’s revised**
19 **budget proposal for the 2021-2023 performance period.**

20 **A.** Efficiency Vermont has reduced its total electric budget proposal by over \$9.7 million,
21 bringing the total electric costs to \$140.1 million over the three years. This is intended to

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1 align with the perspective raised by the Department that the budget proposal is intended
2 to align with flat electric EEC rates for residential and commercial customers in 2021.
3 Efficiency Vermont believes that the services it offers, and this assurance to not seek
4 increases in EEC rates, will be of critical importance during this time of economic
5 uncertainty and recovery.

6 **Q. Would the approval of the budgets initially recommended by Efficiency Vermont**
7 **have resulted in EEC rate changes (See Poor, *pf.* of 3/25/2020 at 12)?**

8 **A.** In all likelihood, yes. The calculation of the EEC is a function of the budgets established
9 by the Commission for the provision of EEU programs and services, whereby the EEC
10 billing determinants and the rate design are established pursuant to PUC Rule 5.300.
11 Analysis of Efficiency Vermont's initial budget proposal seems to indicate that a small
12 rate increase would have been necessary for most rate classes.

13 **Q. Will Efficiency Vermont's Revised DRP Proposal result in smaller rate changes**
14 **than would have been the case using its initial budget proposal?**

15 **A.** Yes, Efficiency Vermont's revised DRP Proposal aligns with the Department's total
16 budget recommendation with the intent and desired effect of maintaining flat EEC rates
17 from 2020 to 2021 for most customers.

18 Efficiency Vermont understands that the Commission may revisit the DRP for the
19 second performance period covering 2024 to 2026 prior to the commencement of that
20 period. The Department's recommendations did not expressly address the 2024 to 2026
21 performance period, and neither does Efficiency Vermont's revised budget proposal filed

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Petition of Vermont Department of Public Service to initiate an EEU Demand Resource Plan proceeding for the 2021-2023 performance period	Hearings at Montpelier, Vermont July 23, 2020
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Order entered: 10/22/2020

PRESENT: Margaret Cheney, Commissioner
Sarah Hofmann, Commissioner

APPEARANCES: Megan Ludwig, Esq.
Vermont Department of Public Service

Morris L. Silver, Esq.
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ORDER APPROVING EFFICIENCY VERMONT'S 2021-2023 DEMAND RESOURCE PLAN

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I. INTRODUCTION

On August 29, 2019, 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 2021-2023 and 2024-2026 performance periods. While this proceeding addresses all three of Vermont’s EEUs, this order is limited to the Demand Resources Plan (“DRP”) proposed by Efficiency Vermont.¹

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.

54. 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. Exh. EVT-1 at 11; exh. EVT-JP-2; exh. DPS-1 at 13.

55. 10 V.S.A. § 581 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. Exh. EVT-JP-2.

Discussion

As discussed further below, we approve Efficiency Vermont's proposed resource-acquisition and development and support services budgets using energy efficiency charge funds for the 2021-2023 performance period. The Department supports the proposed budgets. For the 2021-2024 performance period, the approved electric resource-acquisition budgets are \$121,585,770, and the development and support services budgets are \$9,246,226.

2021-2023 Electric Resource-Acquisition Budgets

Efficiency Vermont conducted resource-acquisition modeling to determine its proposed electric efficiency budgets for the 2021-2023 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. Recognizing the economic uncertainty, Efficiency Vermont further reconfigured its proposal to reflect the impacts of COVID-19. 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 6.9%) over the lifetime of the proposed investments. We conclude that these resource-acquisition budgets are consistent with applicable statutory considerations pursuant to Sections 209(d)(3)(B) and 209(f) and will ensure that Efficiency Vermont will

continue to be able to offer programs and services that can acquire all reasonably available, cost-effective savings while minimizing the potential for adverse rate and bill impacts. In particular, we conclude that the approved resource-acquisition budgets will reduce the size of future power purchases, will defer load-growth-related transmission and distribution investments and upgrades, and will minimize the costs of electricity.

Efficiency Vermont proposes the inclusion of a new flexible load management program with budgets totaling \$3.4 million over the 2021-2023 performance period. The Department and Efficiency Vermont agree upon the inclusion of these activities in the DRP and the proposed budgets for these activities. The Department, however, argues that flexible load management activities should be called a pilot and subject to a restricted budget that cannot be reallocated to other EEU activities without prior Commission approval.¹⁰ The Department contends that the budget cap on spending is needed for several reasons, including that the potential value of load management-enabling efforts is not completely understood and that a formal, state-wide flexible load management potential study has not been conducted.¹¹ Efficiency Vermont objects to the imposition of the Department's proposed conditions and argues that they are burdensome and unnecessary, and instead contends that the use of periodic public reports ensures transparency in the administration of this activity and should be adequate to address the oversight concerns raised by the Department.¹² Efficiency Vermont maintains that the flexible load management activities will be implemented as other resource-acquisition programs are and should be made subject to all the conditions, and afforded all of the flexibility, that arise in connection with the implementation of the other programs called for under the DRP.¹³

We approve the implementation of the flexible load management program and the associated annual budgets. While we agree with Efficiency Vermont that these activities and budget levels represent a significant effort beyond the level of a pilot program, 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. Under this approach, Efficiency Vermont will have flexibility in annual spending

¹⁰ Department Reply Brief at 9-12.

¹¹ Department Reply Brief at 9-12.

¹² Efficiency Reply Brief at 15.

¹³ Efficiency Reply Brief at 16.