

Report on 2012 Energy Efficiency Utility Program Revenues and Expenditures

**Pursuant to
30 V.S.A. § 209**

**by the
Vermont Public Service Board**

April 14, 2014

In accordance with 30 V.S.A. § 209, the Public Service Board ("Board") is providing the Legislature with a final report ("Report") on the Energy Efficiency Utility Fund ("Fund") for activity through December 31, 2012, and information summarizing the results of the activities paid for by the Fund in 2012.¹ This Report is for the 2012 program year because the Fund has not yet been audited and the program savings have not yet been verified for 2013.²

This Report provides a summary of Energy Efficiency Utility ("EEU") services delivered during 2012. These energy efficiency services were provided primarily by Efficiency Vermont ("EVT");³ however, the City of Burlington Electric Department ("BED") provided many of these services in its service territory.⁴

As this Report shows, both EVT and BED are providing substantial benefits to the state's electricity consumers by reducing individual customers' electrical energy consumption and by offsetting statewide electric energy load growth. The energy efficiency investments lead to financial savings for all Vermonters. When Vermonters save energy, utilities generally need to buy less energy. As a result, utility costs associated with buying energy are less than they otherwise would be, and therefore the rates paid by all consumers are less than they otherwise would be. The customers who have worked directly with EVT and BED experience additional significant savings as a result of their reduced electricity consumption.

While the statute does not specifically require the Board to report on the activities of the EEUs, this Report summarizes EVT's key accomplishments in 2012.⁵ As stated in this Report, the investments made by EVT in 2012 are projected to save Vermont a net

¹ The statute reads as follows: "The board will annually provide the legislature 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).

² There is typically a lag in reporting this information to the Legislature because the program savings must be verified by the Department of Public Service ("Department") and an independent audit of the Fund must be completed during the calendar year following the program year. For example, the Department provided a final report on its verification activities for the 2012 program year to the Board in July 2013; the Board made its determination regarding the achieved savings in August 2013 (EEU-2013-04, Order of August 14, 2013). The City of Burlington Electric Department and Efficiency Vermont filed annual reports on 2012 activities in May 2013 and October 2013, respectively. The Board received the independent audit of the EEU Fund for 2012 in August 2013.

³ Vermont Energy Investment Corporation ("VEIC"), a non-profit corporation, serves as a statewide EEU, known as EVT. In 2010, the Board adopted an Order of Appointment structure for implementation of EEU services, in accordance with 30 V.S.A. § 209(d)(5). On December 20, 2010, the Board issued an order appointing VEIC to serve as a statewide EEU through December 31, 2021.

⁴ When the Board first created EVT, it authorized BED to deliver many of the same services in its own service territory that EVT provides throughout the rest of the state (for simplicity's sake, this report refers to these services as "EEU services"). On April 19, 2011, the Board issued an order appointing BED to serve as an EEU for its service territory through December 31, 2021.

⁵ The kilowatt-hour savings and benefit figures included in EVT's 2012 Annual Report have been verified by the Department as part of its evaluation activities.

present value of \$102,300,000 over the 11-year average lifetime of the investments (\$173,800,000 in net present value benefits minus \$71,500,000⁶ in 2012 investments).

Business customers received approximately 62 percent of the direct benefits of EVT's services in 2012, while residential customers received approximately 38 percent of these benefits. The kilowatt-hours saved by EVT cost Vermont electric consumers approximately 3.5⁷ cents per kilowatt-hour, which is approximately 41 percent of the cost that utilities would have paid for a comparable electric supply in 2012.

EVT's activities include not only electric efficiency, but thermal-energy-and-process-fuels efficiency as well. EVT's savings for thermal-energy-and-process-fuels efficiency, primarily associated with the Home Performance with ENERGY STAR service, totaled 78,000 MMBtu in 2012. These services are funded through a combination of proceeds from Vermont's participation in the Regional Greenhouse Gas Initiative ("RGGI") and EVT's participation in the regional grid's Forward Capacity Market.⁸ For more information about EVT's accomplishments, please see the attached introduction of the report written by Efficiency Vermont entitled "Efficiency Vermont Annual Report 2012" (Attachment A).

This Report also includes an excerpt from BED's 2012 Energy Efficiency Annual Report that summarizes the results of BED's energy efficiency activities that were paid for by the Fund (Attachment B). The excerpt from BED's report shows that the investments in EEU services made by BED in 2012 are projected to save Vermont a net present value of \$6,038,000 over the 12-year average lifetime of the investments (\$8,827,000 in net present value benefits minus \$3,789,000⁹ in 2012 investments).¹⁰ Business customers will receive approximately 45 percent of these savings, while residential customers will receive approximately 55 percent of the savings. The kilowatt-hours saved by BED's EEU services cost BED's ratepayers approximately 2.6¹¹ cents per kilowatt-hour.¹²

⁶ This value includes costs paid for by participants and third-parties.

⁷ This cost does not include costs paid for by participants and third-parties.

⁸ Pursuant to 30 V.S.A. §§ 209(e)(1)(A), 209(e)(1)(B), and 255(d), proceeds from the ISO New England's Forward Capacity Market and RGGI auctions are used, in part, to provide thermal-energy-and-process-fuel-efficiency services.

⁹ This value includes costs paid for by participants.

¹⁰ BED's kilowatt-hour savings and benefit figures have not yet been independently verified. The Department plans to verify BED's 2012 savings and benefits claims in 2014.

¹¹ This cost does not include costs paid for by participants.

¹² BED's cost per kilowatt-hour savings is less than the statewide EEU's cost per kilowatt-hour. This is attributed to BED's customer mix and compact service territory. Additionally, funds are allocated to the statewide EEU to achieve savings in Board-determined geographic areas in order to defer or eliminate the need for costly transmission and distribution upgrades in those areas. The costs to achieve these savings are higher than the average cost per kilowatt-hour.

Batchelder Associates, PC, is the company under contract with the Board as the Fiscal Agent¹³ for the Fund. The firm of G.W. Osterman & Co, PC, was engaged to perform an independent audit of the Fund's revenues and expenditures for 2012. This Report provides more detailed information about this audit in Attachment C. A brief summary of the Fund follows.

Total revenues collected by the Fund during calendar year 2012 were \$45,563,042 (including revenues collected via the energy efficiency charge on electric customers' bills, EVT's participation in the Forward Capacity Market, Regional Greenhouse Gas Initiative, and interest income accrued).¹⁴ Total expenditures from the Fund during calendar year 2012 were \$46,188,955. It is expected that revenues and expenditures will be closely matched over the life of the three-year budget cycle for the EEU services.¹⁵ Expenses paid by the Fund included:

- energy efficiency services provided by EVT;
- EEU services provided by BED;
- unregulated thermal-energy-and-process-fuel efficiency services provided by EVT and BED using revenues from the Forward Capacity Market and the Regional Greenhouse Gas Initiative; and
- administrative costs such as the services of the EEU Fiscal Agent, and EEU monitoring and evaluation activities undertaken by the Department of Public Service.

The documents attached to this Report show: (1) the Fund is being appropriately managed; and (2) the energy savings achieved by EVT and BED in the past year benefitted all Vermonters, whether or not they directly participated in EVT's or BED's programs.

¹³ The Fiscal Agent provides the accounting services necessary to administer the Fund. These services include receiving funds collected by Vermont electric distribution companies, disbursing funds to pay approved invoices, managing any cash balances in the Fund, and reporting on Fund financial activities.

¹⁴ The revenue and expenditure figures in this paragraph are presented on an accrual basis. The Fund's cash balance as of December 31, 2012, was \$3,781,256. At the start of 2012, the Fund's cash balance was \$4,326,086.

¹⁵ The Board established the EEU Budgets for 2012, 2013, and 2014 in an order issued on August 1, 2011, in EEU-2010-06. 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 Board. In an order issued on September 12, 2012 in EEU-2011-06, the Board determined that an additional \$1.6 million will be collected through the EEC collection during 2013 and 2014 to address the one-month lag between EEC collections and energy-efficiency program expenditures. (The associated EEC collections are sufficient 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.) In an Order issued on March 29, 2013, in EEU-2011-06, the Board determined that the additional \$1.6 million will be collected during 2014 and 2015, instead.

Please keep in mind that, with this Report, the Board is not reporting on all electric energy efficiency initiatives that are being implemented throughout the state; instead, this report is limited to describing the use of the funds received through the energy efficiency charge as authorized under 30 V.S.A. § 209(d)(3) and the statewide efficiency services delivered by EVT and BED. Electric utilities have an obligation to implement electric energy efficiency initiatives as part of distributed utility planning and some choose to offer initiatives as a service to their customers.

Additional information about the various oversight activities related to the EEU that the Board and other entities conduct is available on the Board's website at: <http://psb.vermont.gov/utilityindustries/eeu/generalinfo/oversightactivities>
This information includes, among other items:

- various reports produced by EVT and by BED;
- financial reports such as the independent audit of the EEU Fund and the independent audit of VEIC;
- the most recent audit required by statute of the EEU program's cost-effectiveness; and
- website links to savings verification and evaluation reports produced by the Department of Public Service.

Attachment A



ANNUAL REPORT

2012

OCTOBER 18, 2013

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1. INTRODUCTION

OVERVIEW

In 2012, Efficiency Vermont helped Vermont households, businesses, and communities save money and energy, strengthen the economy, and protect Vermont's environment. Efficiency Vermont's ongoing success in obtaining cost-effective energy savings continued to define efficiency as the least expensive approach to reducing Vermonters' energy costs and to meeting the state's energy needs.

To acquire these savings, Efficiency Vermont delivered comprehensive electric and thermal energy efficiency services designed both for immediate energy savings and for lasting benefits to Vermonters and to the state:

- **Empowering and motivating Vermonters** with 1) technical and financial analysis; 2) information about efficient technologies, building science, energy planning, and their benefits, and 3) resources to bring efficiency within financial reach for Vermonters of all income levels and to enable Vermonters in all regions of the state to make informed decisions about cost-effective efficiency investments to benefit their households, businesses, and communities.
- **Transforming the marketplace** through training and support for the businesses and contractors that Vermonters turn to for efficient products and services.
- **Helping to secure Vermont's energy future** through involvement in state, regional, and national efficiency planning, policy, programming, and research efforts that have a lasting, positive impact on Vermonters.

1.1 QUANTIFIABLE PERFORMANCE INDICATORS¹

Efficiency Vermont continued to operate under a performance-based model. This model ties compensation to specific, aggressive goals in order to encourage high levels of performance, innovation, quality, and operational efficiency. These goals—for specified

¹ Unless otherwise noted, results provided in the narrative section of this report include Customer Credit data and do not include projects in Burlington Electric Department territory, Vermont Gas Systems territory, or funded through the Green Mountain Power Energy Efficiency Fund.

energy savings acquisitions, administrative performance elements, and other areas—are established with the Vermont Public Service Board as Quantifiable Performance Indicators (QPIs) for a three-year performance period. The results shown in **Table 1** reveal strong progress toward Efficiency Vermont’s QPI targets for the 2012-2014 performance period. These results were achieved within the budget parameters set by the Vermont Public Service Board.

Table 1. Selected QPI results and progress toward 2012–2014 goals²

Key Quantifiable Performance Indicators (QPIs)	Funding Pool	2012 Results	3-year Goal	% of 3-year Goal Achieved
Electric savings (in megawatt-hours)	Electric Efficiency Charge	110,179	274,000	40%
Total Resource Benefits	Electric Efficiency Charge	\$118,358,445	\$315,710,000	37%
Summer peak kilowatt (kW) demand reduction	Electric Efficiency Charge	15,097	41,920	36%
Summer peak kW demand reduction in Geographic Targeting areas—Susie Wilson Road	Electric Efficiency Charge	870	1,570	55%
Summer peak kW demand reduction in Geographic Targeting areas—Saint Albans	Electric Efficiency Charge	584	1,800	32%
Ratio of gross electric benefits to spending	Electric Efficiency Charge	3.3	1.2	n/a
MMBtu Savings (in million British thermal units)	Heating & Process Fuels Revenues	78,361	149,000	53% ³

² The QPI goals and results in Table 1 are directly attributable to their respective funding sources: either the Energy Efficiency Charge (EEC) or the sources that fund heating and process fuel (HPF) programming. In the remainder of the narrative of this report, electric and MMBtu savings reflect achievements from funding provided through both the EEC and HPF funds. Thus, the total electric and MMBtu in this narrative, if summed, may be different from the amount shown in the QPI results in Table 1.

³ The Three-Year Goal and Percentage of Three-Year Goal for Savings in MMBtu reflect target changes proposed by Efficiency Vermont and approved by the Vermont Public Service Board in 2013.

Efficiency Vermont also engaged in efforts related to an Administrative QPI plan, requiring continual assessment of operations and service delivery. This plan establishes performance indicators under two main categories:

- Management Span of Control, intended to optimize administrative efficiencies while ensuring continued market impact and effectiveness.
- Key Process Improvements, utilizing a methodology for process improvement, providing value to customers by increasing efficiency. In 2012, Efficiency Vermont:
 - completed a pilot program to meet baseline requirements;
 - selected key business processes to evaluate for efficiency;
 - completed training on Lean processes and Value Stream Mapping for 20% of Efficiency Vermont staff;
 - completed Value Stream Mapping workshops for prescriptive and metering project processes.

Full results of QPI activities are provided in Section 3 of this report.

1.2 ELECTRIC AND THERMAL FUNDING SOURCES

In accordance with Vermont Public Service Board specifications, the funding source for Efficiency Vermont’s electric efficiency services was separate and distinct from funding sources for efficiency services related to unregulated heating and process fuels (also referred to as “thermal efficiency” services). Electric services were funded through the Energy Efficiency Charge, whereas heating and process fuel services were funded by Vermont’s Regional Greenhouse Gas Initiative (RGGI) revenues and by revenues earned from meeting electric capacity commitments (demand savings) bid into the regional grid’s Forward Capacity Market (FCM). The Efficiency Vermont administrator, the Vermont Energy Investment Corporation, bids these expected demand savings into the FCM on behalf of the State of Vermont. Efficiency Vermont ensured that, from the customer’s perspective, provision of services was seamless, regardless of the funding source.

1.3 BENEFITS FOR VERMONT

1.3.1 ECONOMIC BENEFITS

Efficiency Vermont continued to provide a good economic value for Vermonters. One measure of this value can be seen in the benefit-to-cost ratio, which remained strong at 2.4 to 1. **Table 2** shows the factors that contributed to this ratio.

Table 2. Net lifetime economic value of electric and thermal energy efficiency investments in 2012

Benefits	\$150,300,000	Total Resource Benefits ⁴
	\$ 23,500,000	Operations and maintenance savings
	\$173,800,000	Total Benefits
Minus Costs	\$ 35,900,000	Efficiency Vermont resource acquisition
	\$ 35,600,000	Participant and third-party costs
	\$ 71,500,000	Total Costs
Equals Net Benefits	<u>\$102,300,000</u>	Net Lifetime Economic Value to Vermont

Total Resource Benefits in 2012 for Efficiency Vermont’s reporting categories were:

Business New Construction	\$38.8 million
Existing Businesses	\$58.7 million
Retail Efficient Products	\$26.6 million
Residential New Construction	\$10.4 million
Existing Homes	\$14.7 million

Efficiency Vermont delivered excellent value compared to the costs of other sources of energy:⁵

- Efficiency Vermont supplied electric efficiency in 2012 at 3.5 cents per kilowatt-hour (kWh). Taking into account participating customers’ additional costs and savings, the levelized net resource cost of saved electric energy in 2012 was less than 0.1 cents per kWh. By contrast, the cost of comparable electric supply in 2012 was 8.6 cents per kWh.

⁴ Total Resource Benefits is the present value of lifetime economic benefits resulting from resource saving measures, including avoided costs of electricity, fossil fuels, and water.

⁵ Numbers in the two ensuing bulleted items do not include Customer Credit. The “levelized net resource cost of saved electric energy” comprises: 1) Efficiency Vermont costs of delivery, plus customer and third-party contributions to measure costs, all adjusted to reflect the comparative risk adjustment of 10% adopted by the Vermont Public Service Board in Docket 5270; and 2) costs or savings associated with fuel, water, and building operation and maintenance.

- Efficiency Vermont's heating and process fuels efforts supplied fossil fuel efficiency in 2012 at 0.5 cents per million British thermal units (MMBtu). Taking into account participating customers' additional costs and savings, the levelized net resource cost of fossil fuel saved through efficiency in 2012 was 1.4 cents per MMBtu, whereas the avoided cost for that fuel was 2.9 cents per MMBtu.

Investments in energy efficiency continued to strengthen local businesses and to secure jobs. For example, Vermont's 74 Home Performance with ENERGY STAR® and Building Performance contractors completed approximately 1,300 projects with a value of \$6.7 million in 2012. (This figure includes work completed with support from the Green Mountain Power Energy Efficiency Fund.) Efficiency Vermont also helped retailers statewide to promote and sell efficient products that strengthen their bottom line. In 2012, retail sales of energy-efficient appliances, lighting, and consumer electronics promoted by Efficiency Vermont totaled approximately \$10.4 million.

1.3.2 ELECTRIC EFFICIENCY SAVINGS⁶

Energy savings resulting from electric efficiency measures installed in 2012 provided an estimated 1.93% of Vermont's overall electric energy requirements for the year. This percentage represents approximately \$14 million in retail value, annually, based on a rate of 13 cents per kWh. **Figure 1** and **Figure 2** show Vermont's history of energy savings from electric efficiency measures.

⁶All data in Section 1.3.2 include savings from efficiency measures installed through Burlington Electric Department and the Green Mountain Power Energy Efficiency Fund, with the exception of Figure 1, which includes only Efficiency Vermont results.

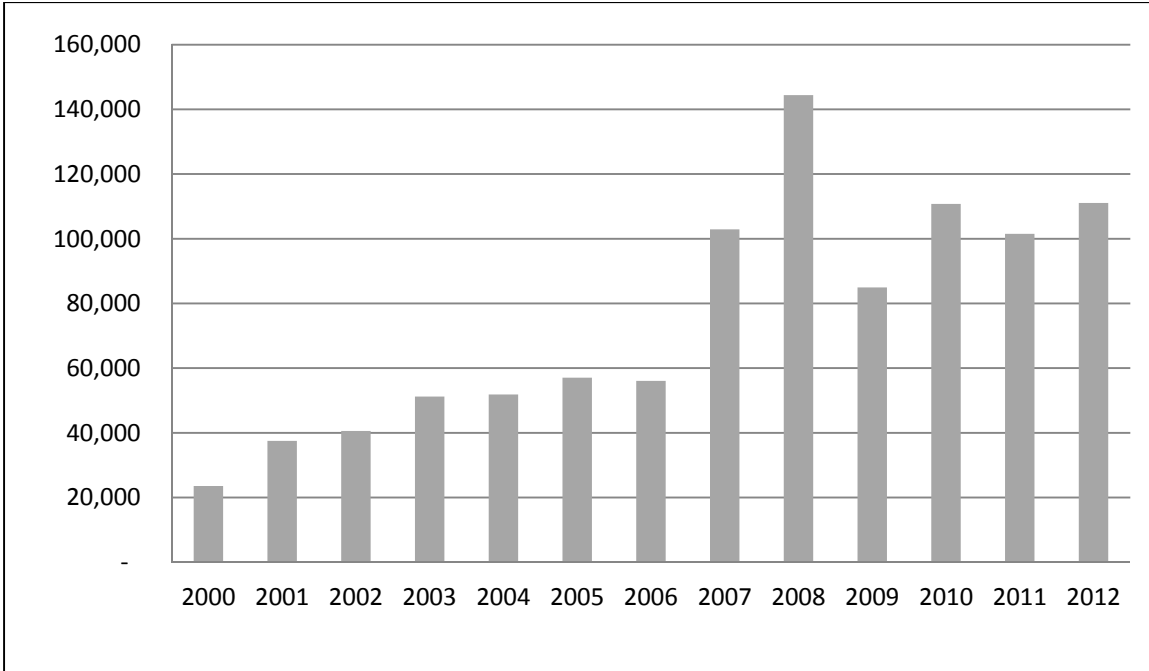


Figure 1. Efficiency Vermont annualized megawatt-hour savings

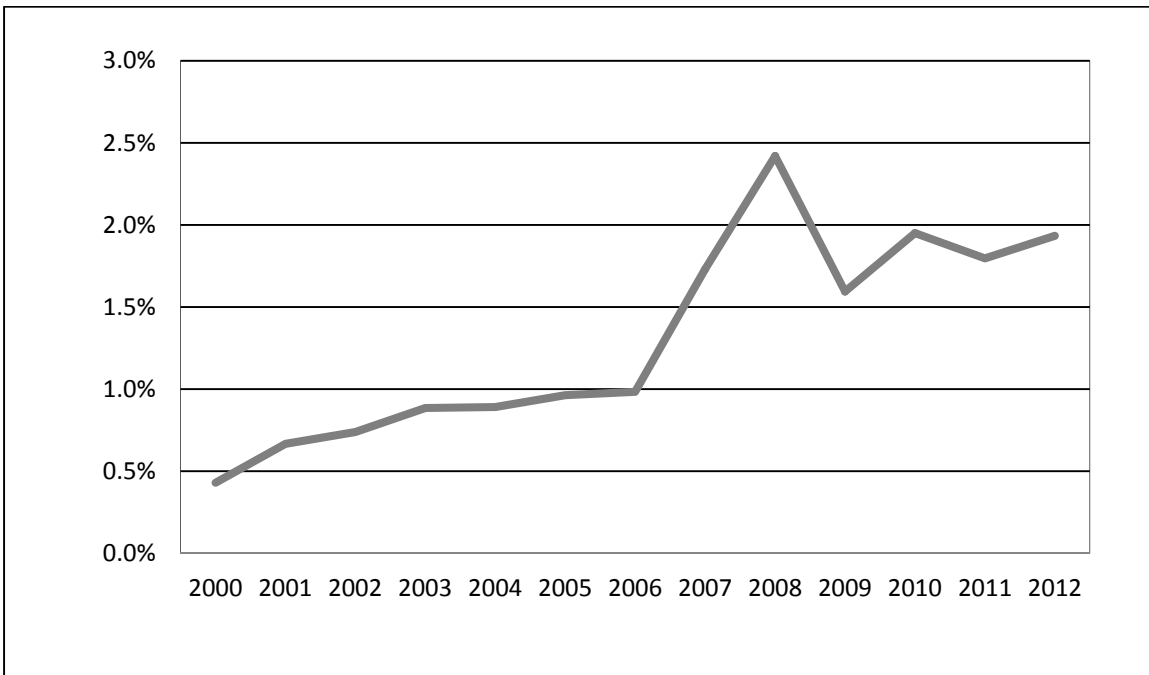


Figure 2. Savings from efficiency as a percentage of statewide electric resource requirements

Cumulatively, efficiency measures installed since 2000 provided 12.3% of the state’s electric energy requirements in 2012. This represents a retail value of more than \$100 million, based on a rate of 13 cents per kWh. As the lowest-cost approach to fulfilling these requirements, energy efficiency has significant impact on Vermont’s ability to limit energy cost increases and corresponding consumer rate hikes. This impact becomes greater as the share of energy needs supplied by efficiency increases. **Figure 3** shows the increasing percentage of Vermont’s annual electric needs met by efficiency savings.

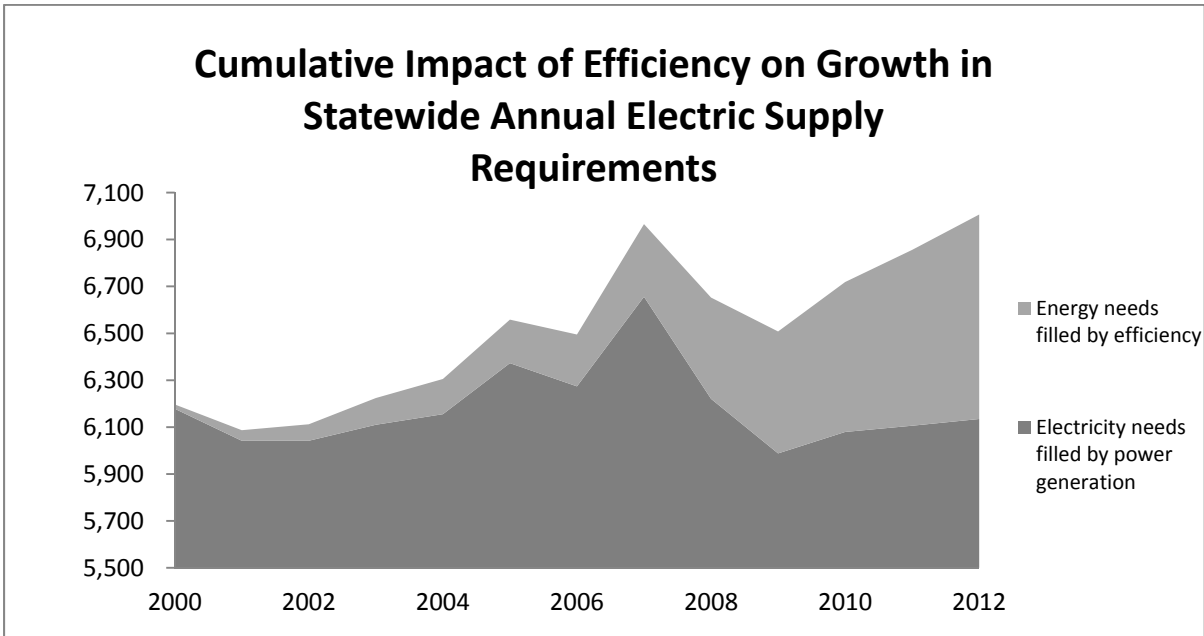


Figure 3. Vermont’s annual electric needs, in gigawatt-hours (GWh)

1.3.3 HEATING AND PROCESS FUEL EFFICIENCY SAVINGS⁷

Efficiency Vermont provided heating and process fuel (HPF) efficiency services in addition to electric efficiency services, helping Vermont homes and businesses to reduce their fossil fuel use and allowing for a comprehensive approach to energy savings. Savings in 2012 from HPF-funded services totaled approximately 78,000 MMBtu, acquired through such services as:

- Home Performance with ENERGY STAR and its business counterpart, Building Performance, supplying whole-building improvements that cut heating fuel use;

⁷ Savings data in this section do not include Customer Credit.

- technical information and financial incentives for high-efficiency residential and commercial heating equipment, including biomass systems, and
- thermal project partnerships with Vermont Gas Systems, the Green Mountain Power Energy Efficiency Fund, NeighborWorks® of Western Vermont, the Vermont Fuel Efficiency Program, and Vermont’s Weatherization Program.

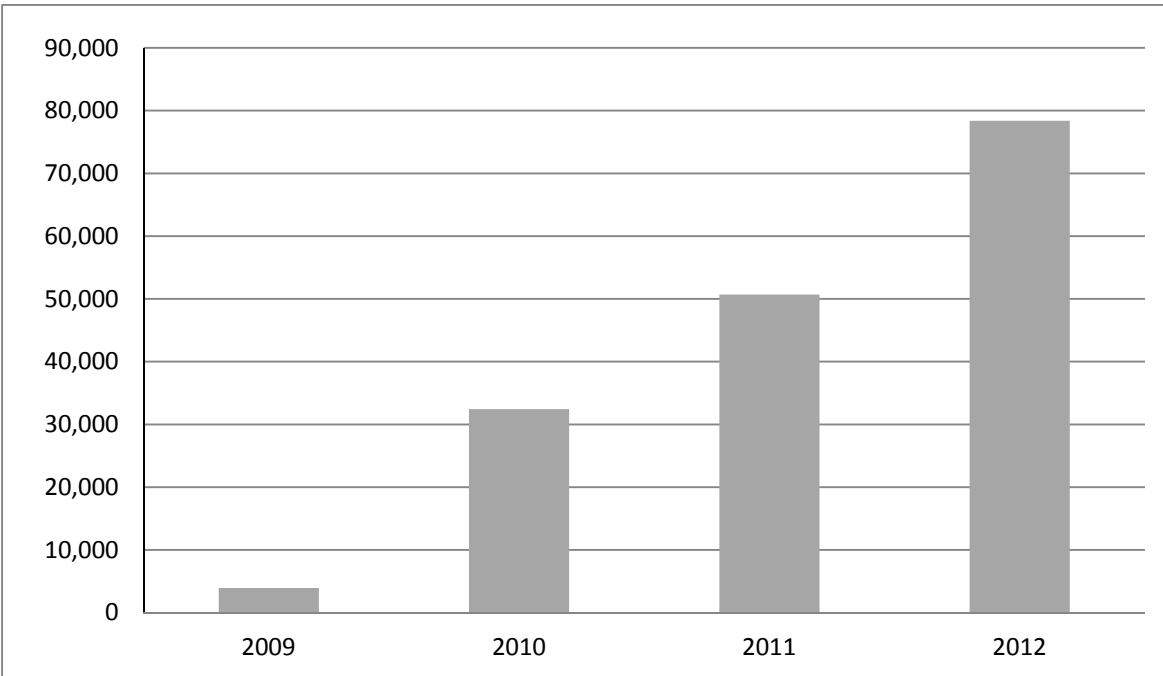


Figure 4. Efficiency Vermont’s annual heating and process fuel savings, in MMBtu

The 2012 increase in energy savings illustrated in **Figure 4**, above, occurred in a year of growth in the number of projects completed through Efficiency Vermont’s Home Performance with ENERGY STAR program, which provides comprehensive, whole-house energy efficiency retrofit services. A total of 1,035 projects were completed in 2012, compared to 800 in 2011, saving 14,000 MMBtu.

HPF services were aligned with Efficiency Vermont’s HPF requirements, as specified by the Vermont Public Service Board, and also supported Vermont State energy policy goals as outlined in Section 581 of Act 92 (the Vermont Energy Efficiency and Affordability Act, enacted in 2008) and the 2011 Vermont Comprehensive Energy Plan. A key provision of Act 92 is improving the energy fitness of 80,000 homes by 2020. Although HPF funding levels have not been sufficient on their own to achieve this goal, Efficiency Vermont has continued to design HPF services to be scalable to levels consistent with these public policy goals.

In 2012, Efficiency Vermont was an active participant in the Thermal Efficiency Task Force, which was convened by the Vermont Department of Public Service (DPS) to develop a plan for Vermont to meet its above-mentioned goal to improve the energy efficiency of 80,000 homes and to reduce fossil fuel use in residential and commercial buildings by 7.5% by 2020. Efficiency Vermont staff contributed their expertise in such areas as program design, industry partnership models, program costs, evaluation, and financing options. The task force contained seven subcommittees chartered to develop recommendations for legislative action. Efficiency Vermont staff members chaired three of these subcommittees and participated in all seven.

1.3.4 ENVIRONMENTAL BENEFITS

In addition to energy savings and economic benefits, Efficiency Vermont's performance in 2012 provided benefits for Vermont's environment. These benefits resulted from avoided emissions associated with the use of fossil fuels for electricity generation, heating, and industrial processing equipment. Efficiency's role in pollution prevention is of particular note in times of peak electricity demand, when additional fossil-fuel-fired power plants are brought on line. In these times, efficiency measures—such as the use of efficient air conditioners instead of inefficient models during a heat wave—provide their optimal environmental benefit. Avoided pollutants included:

Carbon dioxide	800,000 tons
Nitrogen oxides	86 tons
Sulfur oxides	31 tons

Avoidance of these pollutants resulted in a combined environmental benefit equal to that of taking 152,800 gasoline-powered cars off the road for a year.

Attachment B

BURLINGTON ELECTRIC DEPARTMENT

2012 Energy Efficiency Annual Report



Burlington Electric Department
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Table 4: EEU Business & Residential - Total Resource Benefits

Avoided costs of Electricity	\$8,743,732.50
Fossil Fuel Savings	\$374,645.50
Water Savings	<u>\$708,712.85</u>
TRB Total	\$9,827,090.62

	<u>Annualized</u>	<u>Lifetime</u>
Meter MWh	6,310	71,711
Generation MWh	6,427	75,041
Meter Demand Kw	3,758	38,010
Generation Peak Summer Kw	957	11,206
Generation Peak Winter Kw	1,118	11,886
Water Savings	7,421	79,457
Fuel Increase	991	35,031
O+M Savings	\$343,761	\$2,786,916

Table 5: EEU Business & Residential - Summary

	<u>Prior Year</u> 2011	<u>Current</u> 2012	<u>Program</u> <u>to date</u>
Participants	1,067	1,387	23,815
— Program Costs —			
BED Administration Costs			
General	\$249,867	\$250,020	\$3,625,441
Implementation	\$3,853	\$18,547	\$1,970,667
Planning	\$11,166	\$1,650	\$106,711
Marketing	\$39,426	\$25,860	\$773,098
IT	\$6,224	\$0	\$211,957
	\$310,537	\$296,077	\$6,687,875
BED Service Costs			
Participants	\$378,664	\$425,616	\$4,081,329
Trade Allies	\$0	\$0	\$11,761
	\$378,664	\$425,616	\$4,093,090
BED Incentive Costs			
Participants	\$1,302,846	\$1,032,200	\$8,676,636
Trade Allies	<u>\$9,697</u>	<u>\$2,850</u>	<u>\$51,229</u>
	\$1,312,543	\$1,035,050	\$8,727,865
BED Total Costs	\$2,001,743	\$1,756,743	\$19,508,830
Evaluation Costs	\$69,651	\$63,671	\$763,900
Participant Costs	\$936,239	\$1,968,114	\$22,761,775
Total Program Costs	<u>\$3,007,633</u>	<u>\$3,788,527</u>	<u>\$43,034,505</u>
— Benefits —			
Annualized mWh	7,208	6,428	107,512
Lifetime mWh	68,153	75,040	1,340,070
Winter peak Kw	1,333	1,118	18,405
Summer Peak Kw	1,100	957	12,002
mWh / Participant	7	5	5
Weighted Lifetime	9	12	12

Table 8: EEU Business - Total Resource Benefits

Avoided costs of Electricity	\$5,627,599.43
Fossil Fuel Savings	\$627,868.02
Water Savings	<u>\$0.00</u>
TRB Total	\$6,255,467.35

	<u>Annualized</u>	<u>Lifetime</u>
Meter MWh	3,761	49,093
Generation MWh	4,215	54,776
Meter Demand Kw	966	12,001
Generation Peak Summer Kw	680	8,859
Generation Peak Winter Kw	494	6,317
Water Savings	0	0
Fuel Increase	2,575	56,711
O+M Savings	\$221,725	\$1,908,345

Table 9: EEU Business - Summary

	<u>Prior Year</u> 2011	<u>Current</u> 2012	<u>Program</u> <u>to date</u>
Participants	221	323	1,518
--- Program Costs ---			
BED Administration Costs			
General	\$139,689	\$122,413	\$1,872,028
Implementation	\$1,301	\$13,880	\$1,234,559
Planning	\$6,646	\$834	\$62,003
Marketing	\$10,457	\$16,695	\$249,926
IT	\$4,172	\$0	\$110,564
	\$162,266	\$153,822	\$3,529,080
BED Service Costs			
Participants	\$275,135	\$307,899	\$2,697,491
Trade Allies	\$0	\$0	\$6,780
	\$275,135	\$307,899	\$2,704,271
BED Incentive Costs			
Participants	\$991,285	\$719,997	\$5,754,385
Trade Allies	<u>\$7,790</u>	<u>\$1,050</u>	<u>\$18,708</u>
	\$999,075	\$721,047	\$5,773,093
BED Total Costs	\$1,436,475	\$1,182,767	\$12,006,444
Evaluation Costs	\$46,330	\$49,516	\$439,396
Participant Costs	\$318,764	\$1,667,503	\$14,933,120
Total Program Costs	<u>\$1,801,570</u>	<u>\$2,899,786</u>	<u>\$27,378,960</u>
--- Benefits ---			
Annualized mWh	2,804	4,215	66,610
Lifetime mWh	37,950	54,776	878,328
Winter peak Kw	421	494	8,623
Summer Peak Kw	521	680	8,223
mWh / Participant	13	13	44
Weighted Lifetime	14	13	13

Table 17: EEU Residential - Total Resource Benefits

Avoided costs of Electricity	\$3,116,133.07
Fossil Fuel Savings	(\$253,222.52)
Water Savings	<u>\$708,712.85</u>
TRB Total	\$3,571,623.27

	<u>Annualized</u>	<u>Lifetime</u>
Meter MWh	2,549	22,617
Generation MWh	2,213	20,265
Meter Demand Kw	2,792	26,009
Generation Peak Summer Kw	278	2,347
Generation Peak Winter Kw	624	5,569
Water Savings	7,421	79,457
Fuel Increase	-1,584	-21,680
O+M Savings	\$122,044	\$878,625

Table 18: EEU Residential - Summary

	<u>Prior Year</u> 2011	<u>Current</u> 2012	<u>Program</u> <u>to date</u>
Participants	846	1,064	22,297
--- Program Costs ---			
BED Administration Costs			
General	\$110,178	\$127,607	\$1,753,413
Implementation	\$2,551	\$4,668	\$736,108
Planning	\$4,521	\$815	\$44,709
Marketing	\$28,969	\$9,164	\$523,172
IT	\$2,052	\$0	\$101,393
	\$148,271	\$142,254	\$3,158,794
BED Service Costs			
Participants	\$103,529	\$117,717	\$1,383,838
Trade Allies	\$0	\$0	\$4,981
	\$103,529	\$117,717	\$1,388,819
BED Incentive Costs			
Participants	\$311,561	\$312,203	\$2,922,251
Trade Allies	<u>\$1,907</u>	<u>\$1,800</u>	<u>\$32,521</u>
	\$313,468	\$314,003	\$2,954,773
BED Total Costs	\$565,268	\$573,975	\$7,502,387
Evaluation Costs	\$23,321	\$14,155	\$324,504
Participant Costs	\$617,474	\$300,611	\$7,828,655
Total Program Costs	<u>\$1,206,063</u>	<u>\$888,741</u>	<u>\$15,655,545</u>
--- Benefits ---			
Annualized mWh	4,404	2,213	40,902
Lifetime mWh	30,203	20,264	461,742
Winter peak Kw	912	624	9,782
Summer Peak Kw	579	277	3,779
mWh / Participant	5	2	2
Weighted Lifetime	7	9	11

Attachment C

VERMONT ENERGY
SERVICE BOARD

2013 SEP 10 PM 4 07

**VERMONT ENERGY EFFICIENCY
UTILITY FUND**

**INDEPENDENT AUDITORS' REPORT AND COMBINED
FINANCIAL STATEMENTS**

For the Year Ended December 31, 2012

**Osterman & Burke, PC
192 S. Main Street, PO Box 793
Barre, Vermont 05641
(802) 479-3667**

A member of the American Institute and Vermont Society of CPAs.

VERMONT ENERGY EFFICIENCY
UTILITY FUND

Combined Financial Statements With
Independent Auditors' Report for the Year Ended
December 31, 2012

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Independent Auditors' Report

Vermont Public Service Board
Montpelier, Vermont

Report on Combined Financial Statements

We have audited the accompanying combined financial statements of the Vermont Energy Efficiency Utility Fund (VEEUF) and its component unit the Regional Greenhouse Gas Initiative Fund (RGGI), both special reserve funds of the State of Vermont administered by Batchelder Associates, PC as of December 31, 2012, and the related notes to the combined financial statements, which collectively comprise the basic financial statements as listed in the table of contents. We have also audited RGGI as of and for the year ended December 31, 2012, as displayed in VEEUF's basic financial statements. These combined financial statements are the responsibility of the VEEUF's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 the combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the respective financial position of the VEEUF and its component unit RGGI as of December 31, 2012, and the respective changes in financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on Page 2 be presented to supplement the basic combined financial statements. Such information although not a part of the basic combined 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 combined 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 combined financial statements, and other knowledge we obtained during our audits of the basic combined 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.

As discussed in Note 1, the combined financial statements present only the VEEUF and its component unit RGGI and do not purport to, and do not, present fairly the financial position of the State of Vermont as of December 31, 2012, or the changes in financial position and cash flows where applicable for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with government Auditing Standards, we have also issued our report dated August 27, 2013 on our consideration of VEEUF's and its component unit RGGI's internal control over financial reporting and on our tests of its compliance with provisions of laws, regulations and contracts and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *government Auditing Standards* and important for assessing the results of our audits.

Owsterman & Burke, PC

Barre, Vermont
August 27, 2013

Vermont License No. 92-0000338

VERMONT ENERGY EFFICIENCY UTILITY FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2012

This section of the Vermont Energy Efficiency Utility Fund's annual financial report represents our discussion and analysis of the VEEUF's financial performance during the fiscal year that ended on December 31, 2012. It should be read in conjunction with the VEEUF's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The VEEUF unrestricted net assets as of December 31, 2012, were \$950,444 versus \$1,931,770 at December 31, 2011.
- The VEEUF's net asset balance decreased by \$544,830 during 2012. This decrease was due to an increase in spending over revenue in 2012. Spending in 2011 had increased with respect to the restricted assets.
- VEEUF actual expenditures for 2012 were 9.36% below budgeted levels due to a lower than anticipated level of programmatic and administrative expense requests during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – management's discussion and analysis and the basic financial statements. The basic financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data.

Total disbursements to the eight programs comprising the VEEUF decreased by approximately 2.29% from the prior year: from \$34,989,227 in 2011 to \$34,185,077 in 2012. As of December 31, 2012, the VEEUF had net payables of \$2,427,420, consisting primarily of receivables from contributors of \$6,466,461, payable to programs of \$6,946,909, payable to contributors for uncollectibles of \$155,794, accounts payable and accrued expenses of \$1,483,42, and taxes payable of \$307,757. This compares to a net receivable of \$4,261,690 as of December 31, 2011, which consisted primarily of receivables from contributors of \$7,671,190, payable to programs of \$1,994,015, payable to contributors for uncollectibles of \$224,955, accounts payable and accrued expenses of \$873,009 and taxes payable of \$317,521.

As was the case in prior years, the VEEUF maintained an adequate cash flow and balance of funds to satisfy all obligations.

RESULTS AND ANALYSIS

The following table summarizes the Statement of Net Assets as of December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Current assets	\$13,706,796	\$10,374,986
Total assets	\$13,706,796	\$10,374,986
Current liabilities	\$8,893,881	\$3,409,500
Long-term liabilities	1,031,659	2,639,400
Total liabilities	9,925,540	6,048,900
Total net assets	3,781,256	4,326,086
Total liabilities and net assets	\$13,706,796	\$10,374,986

VERMONT ENERGY EFFICIENCY UTILITY FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2012

The following table summarizes the Statement of Revenues, Expenditures and Changes in Net Assets for the year ended December 31, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Unrestricted revenues and reclassifications	\$39,275,131	\$40,409,159
Total expenditures	(40,256,457)	(38,846,107)
Change in net unrestricted assets	(981,326)	1,563,052
Change in temporarily restricted net assets	436,496	(2,127,096)
Total change in net assets	(544,830)	(564,044)
Total net assets – beginning of year	4,326,086	4,890,130
Total net assets – end of year	<u>\$3,781,256</u>	<u>\$4,326,086</u>

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

In 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 Service Board (Board) issued an Order authorizing the EEU 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 \$3,538,565 in year 2012.

By order dated August 1, 2011, the Board established the electric Energy Efficiency Utility spending budgets for 2012, 2013 and 2014. The 2012 electric portion of the budget was set at \$40.1 million, the 2013 electric portion of the budget was set at \$42.8 million, and the 2014 electric portion of the budget was set at \$45.9 million. The budget levels represent increases of 4.2%, 6.7%, and 7.2% in energy efficiency charge (EEC) rates. The Board determined in an order dated September 12, 2012, that an additional \$1.6 million will be collected via the EEC during 2013 and 2014 to address the one-month lag between EEC collections and energy efficiency program expenditures. ***However, in an order dated March 29, 2013, the Board determined that this amount would instead be collected in 2014 and 2015, and not in 2013.***

State law requires that all of the Regional Greenhouse Gas Initiative (RGGI) auction revenue, net of administrative costs, be deposited into the VEEUF, and that any such net revenues not transferred to the state PACE reserve fund must be used for funding heating and process-fuel efficiency services. The 2012 RGGI revenue deposited into the VEEUF was \$1,385,882, and the 2011 RGGI revenue deposited into the VEEUF was \$1,240,202.

The RGGI fund is incorporated into the December 31, 2012 audit. Net assets as of December 31, 2012, were \$285,321 ((\$372,375 in 2011). Total revenue was \$1,317,244 (\$1,265,682 in 2011) with total expenses of \$1,394,547 (\$1,271,706 in 2011). Total current assets as of December 31, 2012 were \$295,321 (\$372,375 in 2011).

The Board has changed the structure of Vermont's Energy Efficiency Utility program from a Contract model to an Order of Appointment model in 2010. As determined by the Board, under this new model, the Vermont Department of Public Service reviews and approves all vendor invoices except its own (reviewed and approved by the Board) while the Board retains ultimate authority over approval of invoices for payment from the VEEUF.

VERMONT ENERGY EFFICIENCY UTILITY FUND
 COMBINED STATEMENT OF NET ASSETS
 DECEMBER 31, 2012

	<u>VEEUF</u>	<u>RGGI</u>	<u>Combined Total</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 7,240,335	\$ 294,321	\$ 7,534,656
Accounts receivable:			
Receivable from energy distributors	6,466,461	-	6,466,461
Prepaid expense	-	1,000	1,000
Total current assets	<u>13,706,796</u>	<u>295,321</u>	<u>14,002,117</u>
TOTAL ASSETS			
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Payable for energy programs	\$ 6,946,909	\$ -	\$ 6,946,909
Payable to energy distributors for uncollectibles and overpayments	155,794	-	155,794
Accounts payable and accrued expenses	1,483,421	-	1,483,421
Taxes payable	307,757	-	307,757
TOTAL CURRENT LIABILITIES	<u>8,893,881</u>	<u>-</u>	<u>8,893,881</u>
LONG TERM LIABILITIES			
Accrued VEIC performance incentive	1,031,659	-	1,031,659
TOTAL LIABILITIES	<u>9,925,540</u>	<u>-</u>	<u>9,925,540</u>
NET ASSETS			
Restricted Net Assets: (Note 10):			
Restricted for SMEEP	98,524	-	98,524
Restricted for HPF	2,618,161	285,321	2,903,482
Restricted for GMP EEF monitoring & evaluation	114,127	-	114,127
Total Restricted Net Assets	<u>2,830,812</u>	<u>285,321</u>	<u>3,116,133</u>
Unrestricted Net Assets	950,444	10,000	960,444
TOTAL NET ASSETS	<u>3,781,256</u>	<u>295,321</u>	<u>4,076,577</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$13,706,796</u>	<u>\$ 295,321</u>	<u>\$14,002,117</u>

See accompanying notes to financial statements.

VERMONT ENERGY EFFICIENCY UTILITY FUND
 COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
 Year Ended December 31, 2012

	VEEUF						
	Unrestricted	SMEEP	HPF	GMP EEF	VEEUF Total	RGGI	Combined Total
<u>Operating Revenues</u>							
Assessments (Energy Efficiency Charge)	\$ 38,997,046	\$ -	\$ -	\$ -	\$ 38,997,046	\$ -	\$ 38,997,046
Regional Capacity Market	-	-	3,538,565	-	3,538,565	-	3,538,565
Regional Greenhouse Gas Initiative	-	-	1,385,882	-	1,385,882	1,317,244	2,703,126
GMP monitoring and evaluation	-	-	-	-	-	-	-
SMEEP	-	50,000	-	-	50,000	-	50,000
Efficiency Vermont	274,305	-	-	-	274,305	-	274,305
Total Revenues Collected	39,271,351	50,000	4,924,447	-	44,245,798	1,317,244	45,563,042
<u>Operating Expenses:</u>							
Energy programs (Note 3)	34,185,077	-	3,826,278	-	38,011,355	1,385,882	39,397,237
Monitoring and evaluation	790,775	1,175	549,610	40,249	1,381,809	-	1,381,809
Administrative costs	4,894,497	-	120,639	-	5,015,136	8,665	5,023,801
Taxes	386,108	-	-	-	386,108	-	386,108
Total Expenses	40,256,457	1,175	4,496,527	40,249	44,794,408	1,394,547	46,188,955
<u>Nonoperating Revenue</u>							
Interest	3,780	-	-	-	3,780	249	4,029
Change in Net Assets	(981,326)	48,825	427,920	(40,249)	(544,830)	(77,054)	(621,884)
Net Assets - beginning of year	1,931,770	49,699	2,190,241	154,376	4,326,086	372,375	4,698,461
Net Assets - end of year	\$ 950,444	\$ 98,524	\$ 2,618,161	\$ 114,127	\$ 3,781,256	\$ 295,321	\$ 4,076,577

VERMONT ENERGY EFFICIENCY UTILITY FUND
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

	VEEUF	RGGI	Combined Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from energy distributors	\$ 40,193,214	\$ -	\$ 40,193,214
Receipts from Regional Capacity Market	3,547,126	-	3,547,126
Receipts from Regional Greenhouse Gas Initiative	1,385,882	-	1,385,882
Receipts from CO2 Allowance Auctions	-	1,317,244	1,317,244
Receipts from Self Managed Energy Efficiency Program	50,000	-	50,000
Receipts from Efficiency Vermont	274,305	-	274,305
Payments for energy programs	(32,511,304)	(1,385,882)	(33,897,186)
Payments for Regional Capacity Market	(1,488,946)	-	(1,488,946)
Payments for general administration	-	(4,665)	(4,665)
Payments for GMP administration, monitoring and evaluation	(16,885)	-	(16,885)
Refunds to energy distributors for uncollectibles and overpayments	(225,190)	-	(225,190)
Payments for general administration	(3,662,053)	-	(3,662,053)
Payments for EVT VSPC activities	(13,367)	-	(13,367)
Payments for Smart Grid Participation	(83,706)	-	(83,706)
Payments for SMEEP	7,034	-	7,034
Payments to RGGI Trustee (Fiscal Agent)	-	(4,000)	(4,000)
Payments to fiscal agent	(15,636)	-	(15,636)
Payments for taxes	(395,872)	-	(395,872)
Payment for Efficiency VT performance incentive	(2,511,843)	-	(2,511,843)
Net Cash Provided by Operating Activities	4,532,759	(77,303)	4,455,456
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest	3,780	249	4,029
NET INCREASE IN CASH AND EQUIVALENTS	4,536,539	(77,054)	4,459,485
Cash and Cash Equivalents:			
Beginning of Year	2,703,796	371,375	3,075,171
End of Year	<u>\$ 7,240,335</u>	<u>\$ 294,321</u>	<u>\$ 7,534,656</u>
Reconciliation of Increase (Decrease) in Net Assets to Net Cash			
Change in Net Assets			
Excess (deficiency) of revenues over expenditures	\$ (544,830)	\$ (77,054)	\$ (621,884)
Less: Interest Income	(3,780)	(249)	(4,029)
Income from Operations	(548,610)	(77,303)	(625,913)
Change in Operating Assets and Liabilities:			
Decrease (increase) in receivables from energy distributors	1,196,168	-	1,196,168
Decrease (increase) in Regional Capacity Market receivables	8,561	-	8,561
(Increase) decrease in payables for energy programs	5,334,184	-	5,334,184
Increase (decrease) in payables for Regional Capacity activity	(615,875)	-	(615,875)
Increase in payable for GMP monitoring and evaluation	23,364	-	23,364
Increase (decrease) in payables for SMEEP	7,034	-	7,034
Increase in payables to energy distributors for uncollectibles and overpayments	(69,161)	-	(69,161)
Increase (decrease) in payables for general administration	826,557	-	826,557
Increase (decrease) in payable for VEIC incentive	(1,607,741)	-	(1,607,741)
Increase (decrease) in payables for EVT VSPC activities	(13,367)	-	(13,367)
Increase (decrease) in taxes payable	(9,764)	-	(9,764)
Increase (decrease) in payables to fiscal agent	1,409	-	1,409
Net Cash Provided by Operating Activities	\$ 4,532,759	\$ (77,303)	\$ 4,455,456

See accompanying notes to financial statements.

VERMONT ENERGY EFFICIENCY UTILITY FUND
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies utilized by the Vermont Energy Efficiency Utility Fund (EEUF), administered by Batchelder Associates, PC, in the preparation of the accompanying financial statements are summarized below.

Organization

In 1999, the State of Vermont established the EEUF to fund ten core statewide electric efficiency programs. Over time, these programs were condensed into the following six programs: business new construction; existing businesses; customer credit; residential new construction; existing homes; and retail efficient products.

Pursuant to 30 V.S.A. § 209, the Vermont Public Service Board (PSB) established a volumetric charge to customers, the Energy Efficiency Charge (EEC), for the support of energy efficiency programs. In 2012 and 2011 there were twenty (20) distribution utilities assessing these charges.

The PSB set the 2012, 2013, and 2014 EEUF budgets in an order issued August 1, 2011. Pursuant to Board Rule 5.300, the PSB issued a Memorandum dated October 21, 2011 which set the 2012 EEC rates to take effect with bills rendered February 1, 2012.

In December 2006 the Vermont Public Service Board authorized the EEUF's participation in the Regional Capacity Market (RCM); administrative costs began in 2006 and full program costs were incurred in 2007. The net assets from the RCM are restricted by act of the Vermont Legislature for heating and process fuel efficiency services to Vermont business or residential consumers.

The Regional Greenhouse Gas Initiative is a cooperative effort by Northeastern and Mid-Atlantic states to reduce carbon dioxide emissions. Central to this initiative is the implementation of a multi-state cap-and-trade program with a market-based emissions trading system. The program requires certain electric power generators in participating states to purchase allowances for their CO₂ emissions. Vermont committed to participate in the Regional Greenhouse Gas Initiative (RGGI) when Governor James Douglas signed the RGGI Memorandum of Understanding with the governors of the other participating states.

The Vermont Legislature then enacted statutory provisions to implement the RGGI program in Vermont. Both 30 V.S.A § 255 and the RGGI memorandum of Understanding directed the Public Service Board and the Agency of Natural Resources to participate in the RGGI program. The legislature has directed that all RGGI funds, net of administrative costs, be paid into the EEUF for HPF efficiency services.

VERMONT ENERGY EFFICIENCY UTILITY FUND
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization (Continued)

Since EEUF is legally entitled to all the revenue of RGGI (net of administrative costs), RGGI has a direct financial benefit relationship with EEUF. This direct financial benefit relationship meets the Governmental Accounting Standards Board definition of financially accountable organizations that are presented as component units. Therefore, the 2012 financial statements and audit report are combined and present RGGI as a component unit of EEUF. We have also audited RGGI as of and for the year ended December 31, 2012. Notes specific to RGGI are included on pages 19 through 22.

In March 2007 pursuant to Docket 7213 the PSB set up an Energy Efficiency Fund (EEF) to invest in projects that deliver significant and incremental benefits to Green Mountain Power (GMP) ratepayers. Under this EEF, GMP is 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. In a related Board Order dated March, 3, 2008 GMP and the Vermont Department of Public Service (DPS) were required to set-up an Evaluation and Verification Plan for the EEF with an associated budget. The total evaluation budget was estimated to be \$351,000 with \$245,000 coming from the GMP EEF budget and the remaining \$106,000 to be funded from the EEU evaluation budget with the understanding that information gathered through the GMP EEU evaluation has significant relevance to statewide efficiency efforts. The net assets of the GMP EEF monitoring and evaluation funds are restricted for that purpose within the EEU.

In an order entered December 28, 2009 the PSB established a pilot self-managed energy efficiency program (SMEEP) pursuant to 30 V.S.A. § 209(h). On August 10, 2011, the PSB modified the SMEEP to make it an ongoing program (no longer a pilot program) as required by Public Act 47 (2011 Vt., Bien. Sess.). The SMEEP allows an eligible customer to be exempt from the EEC provided that the customer commits to spending an average of no less than \$3 million over a three-year period on energy efficiency investments. Since participants in the SMEEP program are no longer required to pay the EEC, they are not eligible to participate in services or initiatives offered by the EEU. Further, Efficiency Vermont has little involvement with the administration of a SMEEP program. Currently, IBM is the only customer participating in the SMEEP program.

The PSB renewed its contract with Batchelder Associates, PC to serve as the fiscal agent of the EEUF for the period January 1, 2012 through December 31, 2013 with an opportunity for a two year renewal.

Special Reserve Fund

The EEUF is considered a special reserve fund of the State of Vermont. The financial statements presented are not a reflection of the financial position or changes in financial position of the State of Vermont. Because the EEUF is required by law to finance its activities with fees and charges rather than with taxes or similar revenue, the special reserve fund is presented as an enterprise fund.

VERMONT ENERGY EFFICIENCY UTILITY FUND
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

These statements have been prepared on the accrual basis in accordance with Governmental Accounting Standards Board (GASB), for the periods presented. The EEUF's financial statement presentation follows the recommendation of GASB No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" and amendments. GASB No. 34 as amended establishes standards for financial reporting for state and local governments.

Budgetary Comparisons

Under GASB No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The EEUF is not legally required to adopt a budget, and therefore, budget comparison information is not included in the EEUF financial statements.

Cash and Cash Equivalents

All highly liquid securities, purchased with a maturity of three months or less, are considered cash equivalents. Interest is credited to the EEUF when earned.

Revenue Recognition

Vermont electrical distribution utilities are required to assess their customers based on usage at a rate established by the Vermont Public Service Board. The assessments are then remitted to the EEUF. It is the EEUF's policy to recognize all self-assessments received within two months of the fiscal period. Any late remittances will be recognized in a subsequent period or periods. Vermont electrical distribution utilities track customer payments for electricity usage and bill the EEUF for repayment of the energy efficiency charges paid on uncollectible accounts.

Regional Greenhouse Gas Initiative auction proceeds are recognized as income by the EEUF when the PSB issues a memo authorizing the Regional Greenhouse Gas Initiative Fund of Vermont (RGGI VT) fund administrator to disburse the income net of expenses from RGGI VT to the EEUF. Typically, this is within a month from the time RGGI VT receives the auction proceeds. The PSB's memo also instructs the RGGI VT fund administrator to reimburse other entities for their RGGI VT related expenses. These entities have included the Agency of Natural Resources, the Department of Public Service, the Vermont Public Service Board, and the RGGI VT fund administrator.

Regional Capacity Market revenue is recorded as income in the month of payment from ISO-New England to the Vermont Energy Investment Corporation (VEIC). Burlington Electric Department forwards the revenue to the EEUF within 10 days of receipt from ISO-New England.

VERMONT ENERGY EFFICIENCY UTILITY FUND
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Green Mountain Power pays the EEUF an annual fee for monitoring and evaluation of the GMP Energy Efficiency Fund by the Vermont Department of Public Service. These payments are recognized as revenue upon receipt by the EEUF.

SMEEP revenue is also recognized upon receipt by the EEUF.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Net Asset Designations

In accordance with National Council on Governmental Accounting Statement 1 (NCGAS 1) paragraph 120, contractual customer commitments and Department of Public Service funding set-asides for Smart Grid participation and monitoring and evaluation of the EEUF are disclosed as a designation of net assets in Note 8 of the financial statements. Designations represent financial resources available to finance expenditures which by their nature are tentative. Contractual customer commitments only result in payment after customers have made agreed upon improvements relating to energy efficiency. The actual amounts of such payments are not known in advance, but have been estimated as the balance of contractual commitments likely to be fulfilled. DPS monitoring and evaluation is budgeted for the three year contract period and prorated to designated net assets each year. Actual monitoring and evaluation expenses may differ from these funding set-asides. The Smart Grid designation was authorized by the PSB and gave VEIC permission to use certain unspent funds from the 2006 – 2008 contract period as matching funds towards a federal grant pilot program to provide residential energy efficiency services related to Smart Grid implementation.

Restricted and Unrestricted Resources

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

VERMONT ENERGY EFFICIENCY UTILITY FUND
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 2 - ADMINISTRATIVE COSTS

Administrative costs incurred by the EEUF for the year ending December 31, 2012 are as follows:

	<u>2012</u>
Energy Efficiency Program Administration	
General Administration	\$ 2,436,130
Information Technology	616,908
Fiscal Agent	16,800
External Audit Fees	57,000
EEU Advertising	2,417
HPF Implementation	799,874
VEIC Incentive Plan	965,368
Total Energy Efficiency Program Administration	<u>4,894,497</u>
Heating & Process Fuels Administration	
VEIC Incentive Plan	<u>120,639</u>
Total Heating & Process Fuels Administration	<u>120,639</u>
Total Administrative Costs	<u>\$ 5,015,136</u>

The maximum electric performance incentive that VEIC could earn for the period January 1, 2009 through December 31, 2011 is \$2,532,000 for exceeding the 100% target level for contractor electric energy efficiency performance indicators as outlined in the Order of Appointment issued to VEIC by the PSB on December 20, 2010. VEIC could also earn a Heating and Processed Fuel Efficiency (HPF) performance award of up to \$165,000 based on performance indicators supported by the contractor of HPF funds. The maximum performance incentive that VEIC could earn for all performance indicators for the period from January 1, 2009 through December 31, 2012 is \$2,697,000. Based on an external audit of the VEIC performance from January 1, 2009 through December 31, 2012 and recommendation of the DPS, the PSB awarded VEIC \$2,693,748 in a Board Order dated August 9, 2012. The performance incentive was paid on September 26, 2012. VEIC earned the full award of \$2,532,000 for meeting electric energy efficiency performance indicators and \$161,748 of the HPF performance incentive.

The maximum electric performance incentive that VEIC can earn for the period January 1, 2012 through December 31, 2014 is \$2,431,370 for the Electric Energy Efficiency Utility. The maximum heating and process fuel incentive that VEIC can earn for that same period is \$340,000.

VERMONT ENERGY EFFICIENCY UTILITY FUND
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 3 - DISTRIBUTIONS TO ENERGY PROGRAMS

Distributions to the Vermont Energy Investment Corporation (VEIC) and other qualified providers were made by Batchelder Associates, PC during the year ended December 31, 2012, in accordance with the terms of their contracts or as directed by the contract administrator or the Department of Public Service, with concurrence of the Vermont Public Service Board. The VEIC uses the disbursements to fund various programs.

Approximate amounts incurred for energy efficiency by program for the year ending December 31, 2012, are as follows:

Electric Energy Efficiency Program Expense	<u>2012</u>
<u>EVT (Efficiency Vermont):</u>	
Business Existing Facilities	\$ 14,729,976
Business New Construction	3,383,808
Customer Credit Program	195,596
Energy Efficient Products	6,551,114
Residential New Construction	2,075,549
Residential Existing Buildings	4,870,814
	<u>31,806,857</u>
 <u>BED (City of Burlington Electric Department):</u>	
Business Energy Efficiency	3,060
Business Existing Facilities	937,391
Business New Construction	245,377
Residential New Construction	500,645
Residential Existing Buildings	238,066
Energy Efficient Products	363,276
Residential Energy Efficiency	6,699
	<u>2,294,514</u>
Total Electric Energy Efficiency Program Expense	<u>34,101,371</u>
EVT Smart Grid Participation	83,706
HPF Expense	3,826,278
Total Program Expense	<u>\$ 38,011,355</u>

VERMONT ENERGY EFFICIENCY UTILITY FUND
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 3 - DISTRIBUTIONS TO ENERGY PROGRAMS (continued)

Approximate amounts incurred for Heating and Processed Fuel Efficiency (HPF) by program for the year ending December 31, 2012 are as follows:

<u>Heating and Processed Fuel Efficiency (HPF):</u>	<u>2012</u>
FCM Regional Capacity Activities	<u>1,195</u>
Unregulated Fuel Implementation	
BED Business Unregulated Fuel	2,002
BED Resident Unregulated Fuel	16,908
BED Unregulated Fuels	<u>10,144</u>
Total Regional Capacity Market Participation Expense	<u>29,054</u>
HPF Implementation	
EVT Business HPF	552,740
EVT Residential HPF	<u>3,191,376</u>
Total HPF Implementation	<u>3,744,116</u>
GMP Efficiency Fund Capacity	<u>51,913</u>
Total HPF Expense	<u>\$ 3,826,278</u>

NOTE 4 – DEPARTMENT OF PUBLIC SERVICE MONITORING AND EVALUATION

Monitoring and evaluation expenses incurred by the Department of Public Service (DPS) and paid from the EEUF or its restricted funds for the year ending December 31, 2012 are as follows:

<u>DPS Monitoring & Evaluation Expense</u>	<u>EEU</u>	<u>SMEEP</u>	<u>HPF</u>	<u>GMP</u>	<u>Total</u>
EEUF	\$671,793	\$ -	\$ -	\$ -	\$ 671,793
Regional Capacity Market	58,394	-	-	-	58,394
Unregulated Fuels	60,588	-	-	-	60,588
GMP Energy Efficiency Fund	-	-	-	40,249	40,249
SMEEP	-	1,175	-	-	1,175
Regional Capacity Market					
BED Regional Capacity Market	-	-	19,196	-	19,196
DPS Regional Capacity Market	-	-	530,414	-	530,414
Total DPS Monitoring & Evaluation	<u>\$790,775</u>	<u>\$1,175</u>	<u>\$549,610</u>	<u>\$40,249</u>	<u>\$1,381,809</u>

VERMONT ENERGY EFFICIENCY UTILITY FUND
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2012

NOTE 5 – FISCAL AGENT SERVICES CONTRACTS

Under the contract between the PSB and Batchelder Associates, PC, the fiscal agent is reimbursed a fixed amount each fiscal year plus allowable variable expenditures, as defined. For the year ended December 31, 2012 the fiscal agent was paid \$16,800 in fixed costs and \$83 in variable costs.

NOTE 6 - INCOME TAXES

These financial statements present the activities of the EEUF. The EEUF is a special reserve fund of the State of Vermont and not subject to federal or state income taxes. As such, no provision for taxes other than the gross receipts tax and weatherization tax has been reflected in the accompanying financial statements.

NOTE 7 - OTHER TAXES

One-half percent of assessments collected in 2012 are payable to the home weatherization assistance trust fund. Home weatherization assistance trust fund disbursements are made quarterly. Also, one-half percent of assessments collected in 2012 are payable to the gross receipts tax fund, which is paid annually.

As of December 31, 2012 the following was payable to the tax funds:

	<u>2012</u>
Home Weatherization Assistance Trust	\$ 83,519
Gross Receipts Tax	224,238
Total	<u>\$307,757</u>

Expenditures related to the years ended December 31, 2012 were:

	<u>2012</u>
Home Weatherization Assistance Trust	\$ 193,054
Gross Receipts Tax	193,054
Total	<u>\$ 386,108</u>

NOTE 8 - INVESTMENTS

The Fund maintained its cash balances at People’s United Bank under the control of the fiscal agent, Batchelder Associates, PC. The EEUF follows the State of Vermont investment policies under Title 32, Chapter 7 Section 433. Excess balances are “swept” into government securities on a daily basis under a repurchase agreement. The repurchase agreement is collateralized by a pool of Fannie Mae

VERMONT ENERGY EFFICIENCY UTILITY FUND
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 8 - INVESTMENTS

mortgage backed securities held by the Federal Reserve Bank of New York for the People's United Bank. As of December 31, 2012 these securities provided collateral value at 102% (over-collateralization) of the deposit balance.

Balances as of December 31 were as follows (book balance differs from bank balance for outstanding checks):

<u>Account Description</u>	<u>2012</u>	
	<u>Per Bank</u>	<u>Per Books</u>
Business checking (FDIC insured)	\$ -	\$ -
Repurchase agreement (collateralized, uninsured)	7,246,369	7,240,335
Totals	<u>\$ 7,246,369</u>	<u>\$ 7,240,335</u>

NOTE 9 – DESIGNATED NET ASSETS

As of December 31, 2012 the EEUF unrestricted net asset balance had the following designations:

<u>Unrestricted Net Assets</u>	<u>2012</u>
Designated	
Contractual customer commitments	\$ 111,500
DPS monitoring and evaluation	914,754
Smart Grid	389,266
Undesignated	<u>(465,076)</u>
Total	<u>\$ 950,444</u>

NOTE 10 – EEUF RESTRUCTURING

Pursuant to Docket No. 7466 the Vermont Public Service Board ordered on September 15, 2009 that the structure of Vermont's Energy Efficiency Utility Fund should be changed from a Contract model to an Order of Appointment model for the Energy Efficiency Utilities. The Order of Appointment model provides for an initial rolling 12-year term, and subsequent "renewal" terms of approximately 11 years as opposed to the 3-year contract terms under the original structure.

In September 2010, the Board determined that the Department of Public Service (DPS) would review and approve all vendor invoices except its own (reviewed and approved by PSB) while the PSB holds ultimate authority over approval of invoices for payment from the EEUF. This structure was deemed most consistent with the DPS's regulatory role in monitoring and evaluating the EEUF. On December 20, 2010, the PSB issued an Order of Appointment to Vermont Energy Investment Corporation to serve as an EEU through December 31, 2021. On April 19, 2011, the PSB issued an Order of Appointment to the City of Burlington Electric Department to serve as an EEU through December 31, 2021.

VERMONT ENERGY EFFICIENCY UTILITY FUND
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 11 –RESTRICTED NET ASSETS

RESTRICTED NET ASSETS	
Restricted Net Assets, SMEEP, 12/31/11	\$ 49,699
Revenue	50,000
Expenses	1,175
RESTRICTED NET ASSETS, SMEEP, 12/31/12	98,524
Restricted Net Assets, HPF, 12/31/11	2,190,241
Revenue	
Burlington Electric Forward Capacity Market	209,768
Efficiency Vermont Forward Capacity Market	3,328,797
Regional Greenhouse Gas Initiative Income	1,385,882
Total Revenue	4,924,447
Administrative Cost	
FCM Regional Capacity Activity	(1,195)
EVT Performance Incentive Set-Aside	(120,639)
Measuring and evaluation	(549,610)
Total Administrative Cost	(671,444)
Program Expenses	
EVT Residential HPF activity	(3,191,376)
EVT Business HPF activity	(552,740)
BED Residential HPF activity	(16,908)
BED Business HPF activity	(2,002)
BED Unregulated Fuels expense	(10,144)
GMP Efficiency Fund capacity	(51,913)
Total Program Expenses	(3,825,083)
Total Administrative and Program Expense	(4,496,527)
RESTRICTED NET ASSETS, HPF, 12/31/12	2,618,161
Restricted Net Assets, GMP EEF, 12/31/11	154,376
Revenue	-
Expenses	
Measurement and evaluation	(40,249)
Total Expenses	(40,249)
RESTRICTED NET ASSETS, GMP EEF, 12/31/12	114,127
TOTAL RESTRICTED NET ASSETS, 12/31/12	\$ 2,830,812

VERMONT ENERGY EFFICIENCY UTILITY FUND
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 11 –RESTRICTED NET ASSETS (continued)

Activity related to restricted net assets for 2012 is summarized in the table above.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events for potential recognition or disclosure in the financial statements through the date of the accompanying auditors' report that is also the date that the financial statements were available to be issued.

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on Audits of Combined Financial Statements Performed in Accordance with *Government Auditing Standards*

To: Vermont Public Service Board
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 combined financial statements of the Vermont Energy Efficiency Utility Fund (VEEUF) and its component unit the Regional Greenhouse Gas Initiative (RGGI). The financial statements comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. We have issued our report thereon dated August 27, 2013. We have also audited RGGI as of and for the year ended December 31, 2012, as displayed in VEEUF's basic financial statements.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the VEEUF's and its component unit RGGI's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the VEEUF's and its component unit RGGI's internal control. Accordingly, we do not express an opinion on the effectiveness of the Government Unit's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the combined financial statements of VEEUF and its component unit RGGI 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

Internal Control over Financial Reporting

any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the VEEUF's and RGGI's combined 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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*.

We noted certain matters that we reported to management of the VEEUF and its component unit RGGI in a separate letter dated August 27, 2013.

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 results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Osterman & Burke, PC

August 27, 2013
Vermont License No. 92-0000338
Barre, Vermont

REGIONAL GREENHOUSE GAS INITIATIVE FUND OF VERMONT
PRESENTED AS A COMPONENT UNIT OF
VERMONT ENERGY EFFICIENCY UTILITY FUND
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies utilized by Regional Greenhouse Gas Initiative Fund of Vermont (VT RGGI) in the preparation of the accompanying financial statements are summarized below.

Organization

In 2005, Vermont joined the Regional Greenhouse Gas Initiative (RGGI), an effort among ten states to cap and reduce CO₂ emissions from fossil-fuel-fired electric generation facilities with a nameplate capacity of 25 MW or greater. Vermont will have approximately 1.2 million tons of CO₂ allowances annually through 2014, before reducing them over the subsequent four years. The allowances will be sold through auction, and the proceeds, net of administrative costs, will be used for the benefit of the state's consumers. Particularly, benefits that will result from accelerated and sustained investments in energy efficiency and other low-cost, low-carbon power, or heating system or building envelope investments.

Vermont signaled its intention to develop rules and programs to participate in RGGI when Governor Douglas signed the RGGI Memorandum of Understanding with the governors of the other participating states in 2005. The Vermont Legislature then enacted statutory provisions to implement the RGGI program in Vermont through Section 255 of Title 30, Vermont Statutes Annotated. This legislation was enacted in 2005 and amended in 2008 and requires the Agency of Natural Resources and the Vermont Public Service Board (VPSB) to establish a process to participate in the RGGI auction while further providing several goals for the Board to consider in allocating RGGI carbon dioxide allowances and the proceeds from their auction. Prior to the auction that occurred on September 25, 2008, VT RGGI had no monetary assets.

Special Reserve Fund

VT RGGI is considered a special reserve fund of the State of Vermont. The financial statements presented are not a reflection of the financial position or changes in financial position of the State of Vermont or the Regional Greenhouse Gas Initiative of the Northeast and Mid-Atlantic States of the United States of America. The financial statements are limited to the financial activities of Vermont's portion of the Regional Greenhouse Gas Initiative. Because VT RGGI is required by law to finance its activities by charges rather than with taxes or similar revenue, the special reserve fund is presented as an enterprise fund. VT RGGI is also presented as a component unit of the Vermont Energy Efficiency Utility Fund (Note 7).

Basis of Presentation

These statements have been prepared on the accrual basis in accordance with Governmental Accounting Standards Board (GASB), for the period presented. VT RGGI's financial statement presentation follows the recommendation of GASB No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" and amendments. GASB No. 34 as amended establishes standards for financial reporting for state and local governments.

REGIONAL GREENHOUSE GAS INITIATIVE FUND OF VERMONT
PRESENTED AS A COMPONENT UNIT OF
VERMONT ENERGY EFFICIENCY UTILITY FUND
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

All highly liquid securities, purchased with a maturity of three months or less, are considered cash equivalents. Interest is credited to VT RGGI when earned. The annual percentage yield earned during the year 2012 was .05%.

Revenue Recognition

Revenue is recognized as auctions of CO2 allowances occur after the ten member states of RGGI approve the auction results, whether or not the monies have actually been received.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

NOTE 2 - ADMINISTRATIVE COSTS

Administrative costs incurred by VT RGGI as of December 31, 2012, are as follows:

	<u>2012</u>
Trustee fees - Batchelder Associates, PC	\$ 4,000
Bank charges	2,363
Travel	2,302
	\$ 10,677

NOTE 3 – TRUSTEE SERVICE CONTRACT

The VT RGGI Trustee contract is part of the Vermont Energy Efficiency Utility Fund’s fiscal agent contract. The VT RGGI Trustee portion of the contract remains a \$1,000 quarterly fee. The current contract is for the period January 1, 2012 – December 31, 2013 with an opportunity for a two year renewal.

REGIONAL GREENHOUSE GAS INITIATIVE FUND OF VERMONT
PRESENTED AS A COMPONENT UNIT OF
VERMONT ENERGY EFFICIENCY UTILITY FUND
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 - INCOME TAXES

These financial statements present the activities of VT RGGI. The activities of the fund are tax-exempt since the fund is a special reserve fund of the State of Vermont, and therefore not subject to federal or state income taxes. As such, no provision for taxes has been reflected in the accompanying financial statements.

NOTE 5 - INVESTMENTS

VT RGGI maintained its cash balances at People's United Bank under the control of the trustee, Batchelder Associates, PC. Excess balances are "swept" into government securities on a daily basis under a repurchase agreement. The repurchase agreement is collateralized by a pool of Fannie Mae mortgage backed securities held by the Federal Reserve Bank of New York for People's United Bank. As of December 31, 2012, the bank balance and book balance is \$294,321.

NOTE 6 - RESTRICTED NET ASSETS

As of December 31, 2012, VT RGGI's restricted net asset balance consisted of the following:

	<u>2012</u>
VT Energy Efficiency Utility Fund	\$295,321

The VPSB maintains a minimum balance in VT RGGI of \$10,000 to minimize administrative costs.

All of VT RGGI's auction revenue, net of administrative costs and a minimum balance is paid to the VEEUF for heating and process fuel efficiency services.

NOTE 7 - DISCRETELY PRESENTED COMPONENT UNIT

Since all VT RGGI's available auction revenue has been paid into the VEEUF from January 1, 2010 forward, the VPSB folded the RGGI fund into the VEEUF as a discretely presented component unit.

NOTE 8 - ECONOMIC DEPENDENCY

All of the revenue of VT RGGI comes from the Regional Greenhouse Gas Initiative pursuant to the memorandum of understanding signed by the ten signatory states.