Sec. 1. 30 V.S.A. § 201 is amended to read:

§ 201. DEFINITIONS

~~(a)~~ As used in this chapter~~, the word "company" or "companies"~~:

(1) "Company" or "companies" means and includes individuals, partnerships, associations, corporations and municipalities, owning or conducting any public service business or property used in connection therewith and covered by the provisions of this chapter. The term "company" or "companies" also includes electric cooperatives organized and operating under chapter 81 of this title, the Vermont public power supply authority to the extent not inconsistent with chapter 84 of this title, and the Vermont Hydro-electric Power Authority to the extent not inconsistent with chapter 90 of this title. In the context of actions requiring prior approval under section 107 of this title, the term "company" shall also mean any individual, partnership, association, corporation, group, syndicate, operating division, joint stock company, trust, other entity, or municipality which would be defined as a company pursuant to this section if such approval were to be granted.

~~(b) As used in this chapter, "energy"~~ (2) "Energy" means not only the traditional scientific characteristic of "ability to do work" but also the substances or processes used to produce heat, light, or motion, including ~~but not being limited to:~~ petroleum or other liquid fuels; natural or synthetic fuel

gas; solid carbonaceous fuels; solar radiation; geothermal sources; nuclear sources; biomass; organic waste products; wind; or flowing water.

(3) "Least cost integrated planning" means meeting the public's need for energy services, after safety concerns are addressed, at the lowest present value life cycle cost, including environmental and economic costs.

Sec. 2. 30 V.S.A. § 209 is amended to read:

§ 209. JURISDICTION; GENERAL SCOPE

* * *

(d) Energy efficiency.

(1) Programs and measures. The Department of Public Service, any entity appointed by the Board under subdivision (2) of this subsection, all gas and electric utility companies, and the Board upon its own motion, are encouraged to propose, develop, solicit, and monitor energy efficiency ~~and~~, conservation, and **demand** management programs and measures, including appropriate combined heat and power systems that result in the conservation and efficient use of energy and meet the applicable air quality standards of the Agency of Natural Resources. Such programs and measures, and their implementation, may be approved by the Board if it determines they will be beneficial to the ratepayers of the companies after such notice and hearings as the Board may require by order or by rule. The Department of Public Service shall investigate the feasibility of enhancing and expanding the efficiency

programs of gas utilities and shall make any appropriate proposals to the Board. **In this section, "demand management" means demand-side strategies and practices that reduce peak electric and natural gas demand while supporting cost-effective use of existing utility infrastructure. These strategies and practices may include reducing the maximum demand and modifying the coincident peak demand of one or more classes of service to meet the system's capability for a given period.**

(2) Appointment of independent efficiency entities.

(A) Electricity and natural gas. In place of utility-specific programs developed pursuant to this section and section 218c of this title, the Board shall, after notice and opportunity for hearing, provide for the development, implementation, and monitoring of gas and electric energy efficiency ~~and~~, conservation, and **demand** management programs and measures, including programs and measures delivered in multiple service territories, by one or more entities appointed by the Board for these purposes. The Board may include appropriate combined heat and power systems that result in the conservation and efficient use of energy and meet the applicable air quality standards of the Agency of Natural Resources. Except with regard to a transmission company, the Board may specify that the appointment of an energy efficiency utility to deliver services within an electric utility's service

territory satisfies that electric utility's corresponding obligations, in whole or in part, under section 218c of this title and under any prior orders of the Board.

(B) Thermal energy and process-fuel customers. The Board shall provide for the coordinated development, implementation, and monitoring of cost-effective efficiency and conservation programs to thermal energy and process-fuel customers on a whole buildings basis by one or more entities appointed by the Board for this purpose.

(i) In this section, "thermal energy" means the use of fuels to control the temperature of space within buildings and to heat water.

(ii) Periodically on a schedule directed by the Board, the appointed entity or entities shall propose to the Board a plan to implement this subdivision (d)(2)(B). The proposed plan shall comply with subsections (e)-(g) of this section and shall be subject to the Board's approval. The Board ~~shall~~ need not conduct the review of the proposed plan as a contested case under 3 V.S.A. chapter 25 but shall provide notice and an opportunity for written and oral comments to the public and affected parties and State agencies.

(3) Energy efficiency charge; regulated fuels. In addition to its existing authority, the Board may establish by order or rule a volumetric charge to customers for the support of energy efficiency, conservation, and **demand** management programs that meet the requirements of section 218c of this title.

The charge shall be known as the energy efficiency charge, shall be shown separately on each customer's bill, and shall be paid to a fund administrator appointed by the Board and deposited into an Electric Efficiency Fund. When such a charge is shown, notice as to how to obtain information about energy efficiency programs approved under this section shall be provided in a manner directed by the Board. This notice shall include, at a minimum, a toll-free telephone number, and to the extent feasible shall be on the customer's bill and near the energy efficiency charge.

* * *

(B) The charge established by the Board pursuant to this subdivision (3) shall be in an amount determined by the Board by rule or order that is consistent with the principles of least cost integrated planning as ~~defined~~ stated in section 218c of this title.

(i) As circumstances and programs evolve, the amount of the charge shall be reviewed for unrealized energy efficiency, conservation, and demand management potential and shall be adjusted as necessary in order to realize all reasonably available, cost-effective energy efficiency, conservation, and demand management savings and benefits.

(ii) In setting the amount of the charge and its allocation, the Board shall determine an appropriate balance among the following objectives; provided, however, that particular emphasis shall be accorded to the first four

of these objectives: reducing **the size of future power purchases** ~~**overall energy consumption**~~**;** reducing the generation of greenhouse gases; limiting the need to upgrade the State's transmission and distribution infrastructure; minimizing the costs of **electricity** ~~**energy**~~; providing efficiency ~~and~~, conservation**,** and **demand** management as a part of a comprehensive resource supply strategy; **reducing overall energy consumption and the costs of non-electrical energy;** providing the opportunity for all Vermonters to participate in efficiency and conservation programs; and the value of targeting efficiency ~~and~~, conservation**,** and **demand** management efforts to locations, markets, or customers where they may provide the greatest value.

(iii) Within a program that meets the requirements of this subdivision (B), the charge may support ~~**switching an end user of thermal energy from an unregulated fuel to electrical energy**~~ **promoting the adoption of electric thermal or electric transportation technologies, or both, if, after investigation in accordance with Sec. 4 of this act, the Board determines that energy efficiency utilities should provide incentives for one or both of these technologies and that it is appropriate to use the charge to support such incentives.** ~~**However, the charge may not otherwise be used to support fuel switching.**~~

(iv) The Board, by rule or order, shall establish a process by which a customer who pays an average annual energy efficiency charge under this

subdivision (3) of at least $5,000.00 may apply to the Board to self-administer energy efficiency through the use of an energy savings account which shall contain a percentage of the customer's energy efficiency charge payments as determined by the Board. The remaining portion of the charge shall be used for systemwide energy benefits. The Board in its rules or order shall establish criteria for approval of these applications.

(4) Contract or order of appointment. Appointment of an entity under subdivision (2) of this subsection may be by contract or by an order of appointment. An appointment, whether by order of appointment or by contract, may only be issued after notice and opportunity for hearing. An order of appointment shall be for a limited duration not to exceed 12 years, although an entity may be reappointed by order or contract. An order of appointment may include any conditions and requirements that the Board ~~deems~~ considers appropriate to promote the public good and that are consistent with section 202a of this title and the requirements of this section. For good cause, after notice and opportunity for hearing, the Board may amend or revoke an order of appointment.

* * *

(e) Thermal energy and process fuel efficiency funding.

* * *

(2) If a program combines regulated fuel efficiency services with unregulated fuel efficiency services supported by funds under this section, the Board shall allocate the costs of the program among the funding sources for the regulated and unregulated fuel sectors in proportion to the benefits provided to each sector.

(3) In this ~~subsection~~ section:

(A) "Efficiency services" includes the establishment of a statewide information clearinghouse under subsection (g) of this section.

(B) "Regulated fuels" means electricity and natural gas delivered by a regulated utility.

(C) "Unregulated fuels" means fuels used by thermal energy and process fuel customers other than electricity and natural gas delivered by a regulated utility.

(f) Goals and criteria; all energy efficiency programs. With respect to all energy efficiency programs approved under this section, the Board shall:

(1) Ensure that all retail consumers, regardless of retail electricity, gas, or heating or process fuel provider, will have an opportunity to participate in and benefit from a comprehensive set of cost-effective energy efficiency, conservation, and **demand** management programs and initiatives designed to overcome barriers to participation~~;~~.

(2) Require that continued or improved efficiencies be made in the production, delivery, and use of energy efficiency services, including the use of compensation mechanisms for any energy efficiency entity appointed under subdivision (d)(2) of this section that are based upon verified savings in energy usage and demand, and other performance targets specified by the Board. The linkage between compensation and verified savings in energy usage and demand (and other performance targets) shall be reviewed and adjusted not less than triennially by the Board~~;~~.

(3) Build on the energy efficiency expertise and capabilities that have developed or may develop in the State~~;~~.

(4) Ensure that, in coordination with distribution utilities, appointed energy efficiency utilities promote demand-side program initiatives and market strategies that support the adoption by retail customers of cost-effective energy measures that reduce energy costs and greenhouse gas emissions on a life-cycle basis.

(5) Promote demand-side program initiatives and market strategies that reduce peak electric and peak natural gas demand while supporting cost-effective use of existing utility system infrastructure.

(6) Coordinate the provision of energy efficiency, conservation, and **demand** management with customer decision-making **about** on-site **energy production** options.

(7) Promote program initiatives and market strategies that address the needs of persons or businesses facing the most significant barriers to participation, including those who do not own their place of residence;.

~~(5)~~(8) Promote and ensure coordinated program delivery, including coordination with ~~low-income~~ low-income weatherization programs, entities that fund and support affordable housing, regional and local efficiency entities within the State, other efficiency programs, and utility programs;.

~~(6)~~(9) Consider innovative approaches to delivering energy efficiency, including strategies to encourage third party financing and customer contributions to the cost of efficiency measures;.

~~(7)~~(10) Provide a reasonably stable multiyear budget and planning cycle in order to promote program improvement, program stability, enhanced access to capital and personnel, improved integration of program designs with the budgets of regulated companies providing energy services, and maturation of programs and delivery resources;.

~~(8)~~(11) Approve programs, measures, and delivery mechanisms that reasonably reflect current and projected market conditions, technological options, and environmental benefits;.

~~(9)~~(12) Provide for delivery of these programs as rapidly as possible, taking into consideration the need for these services, and cost-effective delivery mechanisms;.

~~(10)~~(13) Provide for the independent evaluation of programs delivered under subsection (d) of this section~~;~~.

~~(11)~~(14) Require that any entity appointed by the Board under subsection (d) of this section deliver Board-approved programs in an effective, efficient, timely, and competent manner and meet standards that are consistent with those in section 218c of this title, the Board's orders in Public Service Board docket 5270, and any relevant Board orders in subsequent energy efficiency proceedings~~;~~.

~~(12)~~(15) Require verification, on or before January 1, 2003, and every three years thereafter, by an independent auditor of the reported energy and capacity savings and cost-effectiveness of programs delivered by any entity appointed by the Board to deliver energy efficiency programs under subdivision (d)(2) of this section~~;~~.

~~(13)~~(16) Ensure that any energy efficiency program approved by the Board shall be reasonable and cost-effective~~;~~.

~~(14)~~(17) Consider the impact on retail electric rates and bills of programs delivered under subsection (d) of this section and the impact on fuel prices and bills~~;~~.

~~(15)~~(18) Ensure that the energy efficiency, conservation, and **demand** management programs implemented under this section are consistent with section 202a of this title and are designed to make continuous and proportional

progress toward attaining the overall State building efficiency goals established by 10 V.S.A. § 581, by promoting all forms of energy end-use efficiency, conservation, and **demand** management and comprehensive sustainable building design.

(g) Thermal energy and process fuel efficiency programs; additional criteria. With respect to energy efficiency programs delivered under this section to thermal energy and process fuel customers, the Board shall:

(1) ~~ensure~~ Ensure that programs are delivered on a whole-buildings basis to help meet the State's building efficiency goals established by 10 V.S.A. § 581 and to reduce greenhouse gas emissions from thermal energy and process fuel use in Vermont~~;~~.

(2) ~~require~~ Require the establishment of a statewide information clearinghouse to enable effective access for customers to and effective coordination across programs. The clearinghouse shall serve as a portal for customers to access thermal energy and process fuel efficiency services and for coordination among State, regional, and local entities involved in the planning or delivery of such services, making referrals as appropriate to service providers and to entities having information on associated environmental issues such as the presence of asbestos in existing insulation~~;~~.

(3) ~~in~~ In consultation with the Agency of Natural Resources, establish annual interim goals starting in 2014 to meet the 2017 and 2020 goals for improving the energy fitness of housing stock stated in 10 V.S.A. § 581(1)~~;~~.

(4) ~~ensure~~ Ensure the monitoring of the State's progress in meeting the goals of 10 V.S.A. § 581(1). This monitoring shall be performed according to a standard methodology and on a periodic basis that is not less than annual.

* * *

Sec. 3. 30 V.S.A. § 218c is amended to read:

§ 218c. LEAST COST INTEGRATED PLANNING

(a)(1) A "least cost integrated plan" for a regulated electric or gas utility is a plan ~~for meeting the public's need for energy services, after safety concerns are addressed, at the lowest present value life cycle cost, including environmental and economic costs,~~ that meets the definition of least cost integrated planning through a strategy combining investments and expenditures on energy supply, transmission, and distribution capacity, transmission and distribution efficiency, and comprehensive energy efficiency programs. Economic costs shall be assessed with due regard to:

(A) the greenhouse gas inventory developed under the provisions of 10 V.S.A. § 582;

(B) the State's progress in meeting its greenhouse gas reduction goals;

(C) the value of the financial risks associated with greenhouse gas emissions from various power sources; and

(D) consistency with section 8001 (renewable energy goals) of this title.

(2) "Comprehensive energy efficiency programs" shall mean a coordinated set of investments or program expenditures made by a regulated electric or gas utility or other entity as approved by the Board pursuant to subsection 209(d) of this title to meet the public's need for energy services through efficiency, conservation or load management in all customer classes and areas of opportunity which is designed to acquire the full amount of cost effective savings from such investments or programs.

(b) Each regulated electric or gas company shall prepare and implement a least cost integrated plan for the provision of energy services to its Vermont customers. At least every third year on a schedule directed by the Public Service Board, each such company shall submit a proposed plan to the Department of Public Service and the Public Service Board. The Board, after notice and opportunity for hearing, may approve a company's least cost integrated plan if it determines that the company's plan complies with the requirements of subdivision (a)(1) of this section and is reasonably consistent with achieving the goals and targets of subsection 8005(d)(2017 SPEED goal; total renewables targets) of this title.

* * *

Sec. 4. ENERGY EFFICIENCY; FUEL-SWITCHING; **DEMAND** MANAGEMENT; INVESTIGATION

(a) ~~**On or before December 15, 2014,**~~ **The** Public Service Board shall conduct and complete a **two-stage** investigation on ~~the implementation of 30 V.S.A. § 209 as amended by this act~~ **whether, as a means of advancing State energy policy as described in 30 V.S.A. § 202a, energy efficiency utilities should be authorized to promote adoption of electric thermal or electric transportation technologies, or both, and on the appropriate role of ratepayers in supporting the adoption of these technologies**.

(b) The Board need not conduct the investigation as a contested case under 3 V.S.A. chapter 25 but shall provide notice and an opportunity for written and oral comments to the public and affected parties and State agencies. **Each stage of the investigation shall include one or more informal hearings, also known as workshops, at which members of the public, affected parties, and State agencies may attend and participate.**

(c) The **first stage of the** investigation**, to be completed on or before October 1, 2014,** shall consider each of the following and any other issue the Board determines relevant:

(1) **Whether efforts to promote the adoption of electric thermal and electric transportation technologies will provide electric ratepayers and**

the State as a whole cost-effective energy savings and greenhouse gas emission reductions consistent with the goals of 10 V.S.A. §§ 578 and 581. In this section, the phrases "electric thermal and electric transportation technologies" and "electric thermal or electric transportation technologies" include air source heat pumps and electric vehicles.

(2) ~~the~~ **What** benefits and costs~~, if any, that may~~ **would** accrue to electric ratepayers **and the State and the environment** as a whole ~~and individually~~ from ~~the deployment~~ **adoption** of ~~new~~ electric **thermal and electric transportation** technologies~~, and the benefits and costs from those technologies that may accrue to the State and to the environment;~~ **that use electric generation, transmission, and distribution infrastructure to reduce the consumption of fossil fuels in the heating and transportation sectors.**

(3) ~~the~~ **What** conditions, if any, under which it is appropriate for customers of a distribution utility to fund ~~switching energy~~ **efforts to help** customers ~~from one fuel to another~~ **adopt electric thermal or electric transportation technologies**, including particularly the use of the energy efficiency charge **or distribution utility funding** to support the deployment of ~~new electric thermal~~ **these** technologies~~; and~~**.**

(4) **After consideration of the issues identified in subdivisions (1)–(3) of this subsection, whether the Board should authorize energy**

efficiency utilities to promote adoption of electric thermal or electric transportation technologies, or both, and the circumstances, if any, under which ratepayers should support this effort.

(d) If the Board's determination under subdivision (c)(4) of this section is affirmative either in whole or in part, then the Board shall complete the second stage of the investigation on or before January 1, 2015, which shall consider each of the following and any other issue the Board deems relevant:

(1) the appropriate roles and responsibilities of electric distribution utilities and energy efficiency utilities in ~~**providing load management and in deploying new technologies, such as air source heat pumps, that have the potential to increase the demand for electrical energy while decreasing demand for other fuels used for thermal energy (new electric thermal technologies)**~~ **promoting adoption of electric thermal and electric transportation technologies and in employing demand management to address any increase in peak electric consumption associated with these technologies, including time-of-use rates, dynamic rates, and active demand response**;

(2) the appropriate roles and responsibilities of electric distribution utilities, energy efficiency utilities, **the Clean Energy Development Fund,** and providers of renewable electric generation in coordinating the delivery of

efficiency services and consideration of on-site renewable electric generation**; and**

(3) the appropriate funding source for the efforts of energy efficiency utilities to promote adoption of electric thermal and transportation technologies and the level of priority and allocation that promotion of these technologies should be given with the budget of the energy efficiency utilities.

(e) On or before January 15, 2015, the Board shall report the results of its investigation under this section to the House Committee on Commerce and Economic Development, the Senate Committee on Finance, and the House and Senate Committees on Natural Resources and Energy, together with any recommendations for statutory change.

Sec. 5. EFFECTIVE DATES**; STATUTORY REVISION**

(a) ~~This section and Sec. 4 shall take effect on passage.~~ This act shall take effect on passage except that, in Sec. 1, 30 V.S.A. § 209(d)(3)(B)(iii) (energy efficiency charge; incentives; electric thermal and transportation) shall take effect on February 1, 2015.

(b) ~~Secs. 1 (definitions), 2 (jurisdiction; general scope) and 3 (least cost integrated planning) shall take effect on January 1, 2015, except that they shall apply to the Public Service Board's investigation under Sec. 4.~~

During statutory revision, the Office of Legislative Council shall replace

the phrase "Sec. 4 of this act" in Sec. 1, 30 V.S.A. § 209(d)(3)(B)(iii), with a full citation to the act and section number in the 2014 Acts and Resolves.