

**Report on**  
**2015 Energy Efficiency Utility Program Revenues and Expenditures**  
**Pursuant to 30 V.S.A. § 209(d)(3)(A)**

**by the**  
**Vermont Public Service Board**

January 23, 2017

In accordance with 30 V.S.A. § 209, the Vermont Public Service Board (“Board”) is providing the Legislature with a final report (“Report”) on the Energy Efficiency Utility Fund (“EEU Fund”) for activity through December 31, 2015, and information summarizing the results of the activities paid for by the EEU Fund in 2015.<sup>1</sup> This Report is for the 2015 program year because the EEU Fund has not yet been audited and the program savings have not yet been verified for 2016.<sup>2</sup>

This Report provides a summary of Energy Efficiency Utility (“EEU”) services delivered during 2015. These energy efficiency services were provided statewide by Efficiency Vermont (“EVT”)<sup>3</sup> and by the City of Burlington Electric Department (“BED”) in its service territory.<sup>4</sup>

The EEU program is funded through an energy efficiency charge (“EEC”) on electric customer bills. In addition to providing electric energy efficiency services, the EEU program also provides thermal energy-and-process-fuel (“TEPF”) efficiency services. 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.<sup>5</sup>

As this Report shows, both EVT and BED are providing substantial benefits to the state’s electricity consumers by reducing participating customers’ electrical energy consumption and by offsetting statewide electric energy load growth. Energy efficiency investments lead to financial savings for all Vermonters. When Vermonters save energy, utilities generally need to buy and deliver less energy, thereby also avoiding the need for additional utility infrastructure such as generating plants, poles, and wires. In addition, reduced energy consumption decreases potential impacts on the environment. As a result, utility costs associated with buying energy are less than they otherwise would be, and

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<sup>1</sup> The statute reads as follows: “The Board will annually provide the General Assembly with a report detailing the revenues collected and the expenditures made for energy efficiency programs under this section.” 30 V.S.A. § 209(d)(3)(A).

<sup>2</sup> There is typically a lag in reporting this information to the Legislature because the program savings must be verified by the Vermont Department of Public Service (“Department”) and an independent audit of the EEU 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 2015 program year to the Board in July 2016; the Board made its determination regarding the achieved savings in December 2016 (EEU-2016-05, Order of December 8, 2016). The City of Burlington Electric Department and Efficiency Vermont filed annual reports on 2015 activities in April 2016 and October 2016, respectively. The Board received the independent audit of the EEU Fund for 2015 in June 2016.

<sup>3</sup> Vermont Energy Investment Corporation (“VEIC”) serves as a statewide EEU, known as Efficiency Vermont, under an Order of Appointment issued by the Board on February 12, 2016, in Docket 8455.

<sup>4</sup> BED provides EEU services in its service territory under an Order of Appointment issued by the Board on April 19, 2011, in Docket 7466.

<sup>5</sup> Pursuant to 30 V.S.A. §§ 209(e)(1)(A), 209(e)(1)(B), and 255(d), proceeds from the ISO New England Forward Capacity Market and RGGI auctions are used, in part, to provide thermal-energy-and-process-fuel-efficiency services.

therefore the rates paid by all electricity consumers are less than they otherwise would be. The customers who have worked directly with EVT and BED accrue additional savings as a result of their reduced electricity consumption.

While the statute does not specifically require the Board to report on the program activities of the EEUs, this Report summarizes EVT's key accomplishments in 2015.<sup>6</sup> The investments made by EVT in 2015 are projected to save Vermont a net present value of \$89,700,000 over the 12-year average lifetime of the investments (\$172,800,000 in net present value benefits minus \$83,100,000<sup>7</sup> in 2015 investments).

Business customers received approximately 53 percent of the direct benefits of EVT's services in 2015, while residential customers received approximately 47 percent of these benefits. The kilowatt-hours ("kWhs") saved by EVT cost Vermont electric consumers approximately 4.4 cents per kWh.<sup>8</sup> By contrast, the cost of comparable electric supply in 2015 was 8.2 cents per kWh.

EVT's savings for thermal-energy-and-process-fuels efficiency, primarily associated with the Home Performance with Energy Star service, totaled 47,000 MMBtu in 2015. For more information about EVT's activities, please see the attached introduction of the report written by EVT entitled *Efficiency Vermont Annual Report 2015* (Attachment A).

This Report also includes excerpts from BED's *2015 Energy Efficiency Annual Report* that summarize the results of BED's energy efficiency activities that were paid for by the EEU Fund (Attachment B). The excerpts from BED's report show that the investments in EEU services made by BED in 2015 are projected to save BED customers a net present value of \$5,915,000 over the 13-year weighted average lifetime of the investments (\$10,200,000 in net present value benefits minus \$4,285,000<sup>9</sup> in 2015 investments).<sup>10</sup> Business customers will receive approximately 67 percent of these benefits, while residential customers will receive approximately 33 percent of the benefits. The kilowatt-hours saved by BED's EEU services cost BED's ratepayers approximately

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<sup>6</sup> The kWh savings and benefit figures included in EVT's 2015 Annual Report have been verified by the Department as part of its evaluation activities.

<sup>7</sup> This value includes costs paid for by participants and third parties.

<sup>8</sup> This cost does not include costs paid for by participants and third parties.

<sup>9</sup> This value includes costs paid for by participants.

<sup>10</sup> BED's kilowatt-hour savings and benefit figures have not yet been independently verified. The Department plans to verify BED's 2015 savings and benefits claims in 2017.

2.8 cents<sup>11</sup> per kWh.<sup>12</sup> BED's savings for thermal-energy-and-process-fuels efficiency, primarily associated with the Home Performance with Energy Star service, totaled 110 MMBtu in 2015.

Batchelder Associates, PC, is the company under contract with the Board as the Fiscal Agent<sup>13</sup> for the EEU Fund. The firm of Clark, Schaefer, Hackett & Co., was engaged by the Board to perform an independent audit of the EEU Fund's revenues and expenditures for 2015. For more information about this audit, please see Independent Auditors' Report with Combined Financial Statements (Attachment C). A brief summary of the EEU Fund follows.

Total revenues collected by the EEU Fund during calendar year 2015 were \$59,099,109 (including revenues collected through the EEC on electric customers' bills, EVT's and BED's participation in the Forward Capacity Market, Vermont's participation in the RGGI program, and interest income accrued).<sup>14</sup> Total expenditures from the EEU Fund during calendar year 2015 were \$60,961,579. It is expected that revenues and expenditures will be closely matched over the life of the three-year budget cycle for the EEU services.<sup>15</sup> Expenses paid by the EEU Fund included:

- energy efficiency services provided by EVT;
- energy efficiency services provided by BED;
- thermal-energy-and-process-fuel efficiency services provided by EVT and BED using revenues from the Forward Capacity Market and RGGI; and

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<sup>11</sup> This cost does not include costs paid for by participants. (As noted in footnote 10, verification of BED's savings and benefits claims is pending.)

<sup>12</sup> BED's cost per kWh savings is less than the statewide EEU's cost per kilowatt-hour. This is attributed in part to BED's customer mix and compact service territory.

<sup>13</sup> The Fiscal Agent provides the accounting services necessary to administer the EEU Fund. These services include: (1) receiving funds collected by Vermont electric distribution companies and those that accrue from participation in RGGI and the Forward Capacity Market; (2) disbursing funds to pay approved invoices; (3) managing any cash balances in the EEU Fund; and (4) reporting on EEU Fund financial activities.

<sup>14</sup> The revenue and expenditure figures in this paragraph are presented on an accrual basis. At the start of 2015, the EEU Fund's cash balance was \$10,026,198. The EEU Fund's cash balance as of December 31, 2015, was \$6,081,251.

<sup>15</sup> The Board established the EEU Budgets for 2015, 2016, and 2017 in an order issued on July 9, 2014, in EEU-2013-01. 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. (The associated EEC revenue 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. As determined by a Board Order issued on March 29, 2013, in EEU-2011-06, the EEU Fund includes an additional \$1.6 million collected through the EEC during 2014 and 2015 to address the one-month lag between EEC collection and program expenditures.)

- administrative costs such as the services of the EEU Fiscal Agent, the EEU Fund audit, and EEU monitoring and evaluation activities undertaken by the Department.

The documents attached to this Report show: (1) the EEU Fund is being managed appropriately; 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.

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 continue to consider opportunities to implement electric energy efficiency initiatives as part of distributed utility planning and may choose to offer such initiatives as a service to their customers.

Additional information about the various 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/energy-efficiency-utility-program>

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 energy and capacity savings and program cost-effectiveness; and
- website links to savings verification and evaluation reports produced by the Department.

For further information on the revenues and expenditures of Vermont's EEU programs, see the following three attachments:

Attachment A: *Efficiency Vermont Annual Report 2015*

Attachment B: *Burlington Electric Department - 2015 Energy Efficiency Annual Report*

Attachment C: Independent Auditors' Report on the Combined Financial Statements of the Vermont Energy Efficiency Utility Fund and the Regional Greenhouse Gas Initiative Fund

**Attachment A**

*Efficiency Vermont Annual Report 2015*



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ANNUAL REPORT  
2015

OCTOBER 24, 2016

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## 1. RESULTS OVERVIEW

In 2015, Efficiency Vermont designed and delivered services to enable all Vermonters to benefit from energy efficiency. The energy savings resulting from these efforts strengthened local economies, protected Vermont's environment, and helped to prevent the need for ratepayers to pay for costly electricity infrastructure expansion projects and electricity purchases. To obtain these benefits, Efficiency Vermont helped Vermonters optimize their use of electricity, heating fuels, and process fuels at critical decision-making moments—such as those involving new construction, renovations, and equipment upgrades—and on an ongoing basis as they managed their energy use. Efficiency Vermont also worked in coordination with state, regional, and national partners in efficiency planning, policy, programming, and research efforts that have a lasting, positive impact on Vermont.

Efficiency Vermont's services continued to be designed in alignment with the aims of Vermont's Comprehensive Energy Plan and with goals codified in state energy policy:

“To assure, to the greatest extent practicable, that Vermont can meet its energy service needs in a manner that is adequate, reliable, secure and sustainable; that assures affordability and encourages the state's economic vitality, the efficient use of energy resources and cost effective demand side management; and that is environmentally sound.”<sup>1</sup>

Efficiency Vermont's success in obtaining cost-effective energy savings continued to define efficiency as the cleanest, least expensive, and most locally acquired way to meet the state's energy needs and to reduce Vermonters' energy costs. In 2015, Efficiency Vermont:

- **Empowered Vermonters** of all household income levels, businesses, institutions, and municipalities to lower their energy costs and improve their buildings through Efficiency Vermont's customer-focused services, distribution utility collaborations, and partnerships in Vermont markets and throughout efficient product supply chains.
- **Strengthened Vermont's economy** by: 1) strengthening downtowns and local economies; 2) providing least-cost energy use; 3) increasing positive cash flow for consumers; 4) deferring electricity infrastructure investments; and 5) reducing power plant and heating system emissions that harm the state's environment and related economic drivers such as agriculture and tourism.
- **Ensured operational excellence** in all aspects of service efforts through a commitment to ongoing assessment of the efficiency and effectiveness of operations and service delivery.

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<sup>1</sup> Vermont Statute Title 30; Chapter 005; Subchapter 001; § 202a. State energy policy (1).

2015 was the first year of Efficiency Vermont’s 2015–2017 performance period.<sup>2</sup> Key results for the year follow.<sup>3</sup>

Energy savings in megawatt-hours:	105,000
Total Resource Benefits: <sup>4</sup>	\$112,000,000

The above results demonstrate solid performance toward Vermont Public Service Board (PSB) approved three-year targets. In 2015, as shown in **Table 1**, Efficiency Vermont achieved 33% of its megawatt-hour (MWh) goals and 33% of Total Resource Benefits goals for the 2015–2017 period. These results reflect the strength of the three-year performance period structure, enabling Efficiency Vermont to make strategic adjustments in anticipation of—or in response to—market forces, in accordance with the best short- and long-term interests of ratepayers.<sup>5</sup>

### 1.1 QUANTIFIABLE PERFORMANCE INDICATORS<sup>6</sup>

Efficiency Vermont continued to operate under a performance-based model. This model ties a significant portion of compensation to specific, aggressive goals in order to encourage high levels of performance, innovation, quality, and operational efficiency. These goals—for specified energy savings acquisitions, administrative performance elements, and other areas—are established with the PSB as Quantifiable Performance Indicators (QPIs) for a three-year performance period. The information in **Table 1** shows Efficiency Vermont’s QPI goals and results for the 2015–2017 performance period. These results were achieved within the budget parameters set by the PSB for the period.

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<sup>2</sup> Efficiency Vermont’s performance periods and savings goals are established with the Vermont Public Service Board, as discussed in Section 1.1.

<sup>3</sup> These key results do not include results from Customer Credit or thermal efficiency and process fuel revenues.

<sup>4</sup> The measure of 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. Results are shown in 2015 dollars.

<sup>5</sup> Efficiency Vermont’s required annual Budget Variance Report to the PSB, submitted February 15, 2016, for the 2015 performance year, details adjustments made to service offerings in support of electric and thermal savings in multiple business and residential markets. These adjustments were made in 2015 to maintain a responsible balance of spending and service delivery in a year with an exceptionally high rate of customer participation.

<sup>6</sup> Unless otherwise noted, results provided in the narrative section of this report include Customer Credit data, but do not include savings from efficiency measures installed via Burlington Electric Department, Vermont Gas Systems, the Self-Managed Energy Efficiency Program, or the Green Mountain Power Community Energy & Efficiency Development Fund.

**Table 1. Selected QPI results for 2015 and progress toward 2015–2017 performance period goals<sup>7</sup>**

Key Quantifiable Performance Indicators (QPIs)	Funding Pool	2015 Results	2015–2017 Goals	% of Goal Achieved
Electric savings (MWh)	Electric Efficiency Charge	104,998	321,800	33%
Total Resource Benefits	Electric Efficiency Charge	\$111,859,662	\$336,300,000	33%
Summer peak kilowatt (kW) demand reduction	Electric Efficiency Charge	11,884	41,300	29%
Winter peak kilowatt (kW) demand reduction	Electric Efficiency Charge	18,188	53,700	34%
Ratio of gross electric benefits to spending	Electric Efficiency Charge	2.0	1.2	167%
Million British thermal unit (MMBtu) savings	Thermal energy and process fuel revenues	47,013	246,000	20%

Efficiency Vermont also completed work related to a program implementation efficiency QPI requiring continuous assessment of key business processes in order to maximize value to the ratepayer. This QPI establishes milestones for Efficiency Vermont submission of annual process improvement plans and year-end reports to verify completion of these plans. In 2015, Efficiency Vermont engaged in value stream improvement activities for the following key business processes:

- Demand Resources Planning Proceeding
- Metering
- Custom Projects
- Home Performance with ENERGY STAR
- Residential New Construction

Full results of QPI activities are provided in Section 3.3 through Section 3.6 of this report.

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<sup>7</sup> The total electric and thermal energy and process fuel savings in this table may differ from the summed savings shown in the remainder of the narrative of this document, which reports the results of efforts funded by both the Energy Efficiency Charge and thermal energy and process fuel revenues.

## 1.2 ECONOMIC BENEFITS

Efficiency Vermont continued to provide a solid economic value for Vermonters. One measure of this value can be seen in the benefit-to-cost ratio, which was 2.1 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 2015**

Benefits	\$131,200,000	Total Resource Benefits
	\$41,600,000	Operations and maintenance savings
	<u>\$172,800,000</u>	<b>Total Benefits</b>
Minus Costs	\$49,700,000	Efficiency Vermont resource investments
	\$33,400,000	Participant and third-party investments
	<u>\$83,100,000</u>	<b>Total Costs</b>
Equals Net Benefits	<u>\$89,700,000</u>	<b>Net Lifetime Economic Value to Vermont</b>

Total Resource Benefits in 2015 for Efficiency Vermont’s reporting categories:

Existing Businesses	\$39.9 million
Retail Efficient Products	\$40.5 million
Business New Construction	\$29.7 million
Existing Homes	\$11.6 million
Residential New Construction	\$7.8 million
Customer Credit	\$1.8 million

Efficiency Vermont delivered excellent value compared to other sources of energy:<sup>8</sup>

- Efficiency Vermont supplied electric efficiency at a levelized cost of approximately 4.4 cents per kilowatt-hour (kWh) over the average expected lifetime of the efficiency measures installed in 2015. Taking into account participating customers’ additional costs and savings, electric energy was saved at a levelized net resource cost of less than 0.1 cent per kWh. By contrast, the cost of comparable electric supply was 8.2 cents per kWh.
- Efficiency Vermont’s efforts that were focused on thermal energy and process fuel savings supplied efficiency in 2015 at \$10.80 per one million British Thermal Units (MMBtu) over the expected life of the measures. Taking into account participating customers’ additional costs and savings, fossil fuel was saved through efficiency in

<sup>8</sup> 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 PSB in Docket 5270; and 2) costs or savings associated with fuel, water, and building operation and maintenance.

2015 at a levelized net resource cost of \$24.03 per MMBtu, whereas the avoided cost for that fuel was \$28.24 per MMBtu.

Investments in energy efficiency continued to strengthen businesses and to secure jobs. For example, 55 Vermont contracting businesses, employing a combined 72 Home Performance with ENERGY STAR® and Building Performance contractors, completed approximately 750 projects in 2015. Efficiency Vermont also helped retailers statewide promote and sell efficient products that strengthened their bottom line. In 2015, Efficiency Vermont's retail partners sold more than 6,300 efficient appliances, 34,600 efficient consumer electronics products, and 838,800 efficient lighting products.

Efficiency investments also increased positive cash flow for Vermonters. In a January 2016 report,<sup>9</sup> the Vermont Department of Public Service (DPS) credited energy efficiency savings for a modest increase in Vermont ratepayers' aggregate discretionary income. The report projected that "total ratepayer savings from past efficiency investments will continue to exceed total participant spending on new efficiency investments and will do so by increasing margins."

Efficiency efforts benefited Vermont communities as a whole, thanks to investments made in efficient upgrades to local institutions, municipal buildings, and street lighting. Schools, for example, were able to take advantage of innovative financing through Efficiency Vermont's partnering local lenders, to fund capital upgrades providing positive cash flow and lasting savings without the need for bond issues or new taxes.

### 1.3 ELECTRIC EFFICIENCY SAVINGS<sup>10</sup>

Energy savings resulting from electric efficiency measures installed in 2015 provided an estimated 1.9% of Vermont's overall electric energy requirements for the year. This percentage represents approximately \$11.9 million in retail value, annually, based on a rate of 13 cents per kWh.<sup>11</sup> **Figure 1** and **Figure 2** show Vermont's history of energy savings from electric efficiency measures.

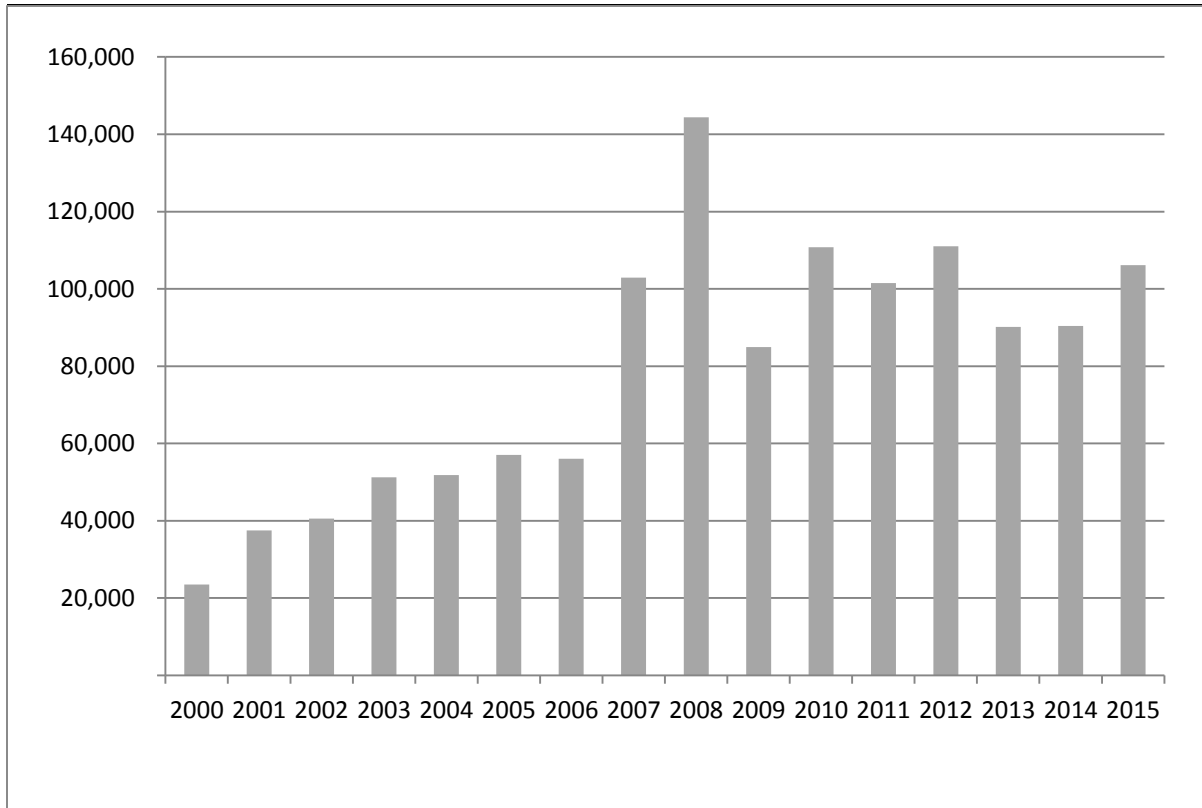
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<sup>9</sup> The Vermont Department of Public Service's Response to Joint Energy Committee Questions Regarding Energy Efficiency Investments, January 8, 2016.

<sup>10</sup> All data in Section 1.3 include savings from efficiency measures installed through Burlington Electric Department and the Green Mountain Power Community Energy & Efficiency Development Fund, with the exception of Figure 1, which includes only Efficiency Vermont results.

<sup>11</sup> This represents a blended average of commercial, industrial, and residential rates.

**Figure 1. Efficiency Vermont annualized megawatt-hour savings**



Cumulatively, efficiency measures installed since 2000 provided 1,026 gigawatt-hours (GWh) of savings for Vermont by the end of 2015<sup>12</sup>. This figure represents 14.5% of the state’s estimated 2015 electric energy requirements, with a retail value of more than \$118.7 million, based on a rate of 13 cents per kWh. **Figure 3** shows the increasing percentage of Vermont’s annual electric needs met by efficiency savings.

Energy efficiency also provided significant benefits to ratepayers via avoided or deferred wholesale electricity purchases and transmission and distribution investments. The DPS reports<sup>13</sup> that, from 2000 through 2014, ongoing reductions in electricity consumption attributable to Vermont Energy Efficiency Utility (EEU) programs saved a cumulative total of approximately \$50 million more in wholesale costs than ratepayers paid to fund EEU

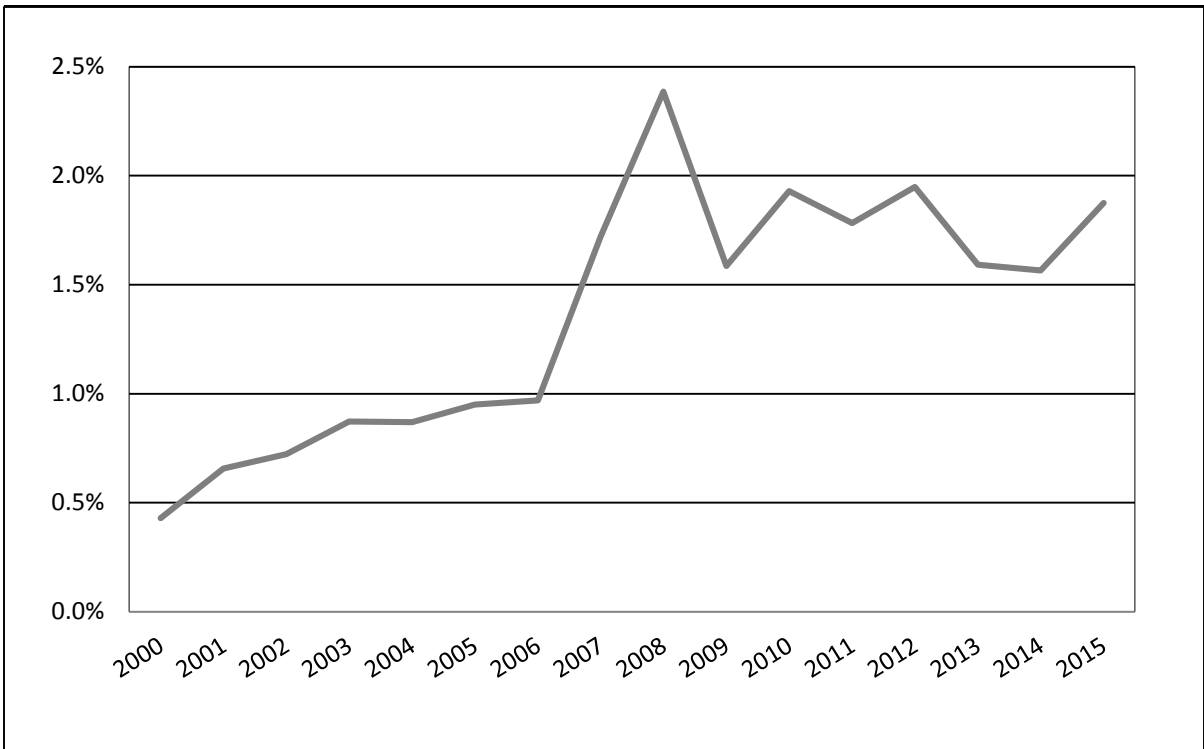
<sup>12</sup> This number is the sum of efficiency measures reported by Efficiency Vermont, Burlington Electric Department, Customer Credit, the Green Mountain Power Energy Efficiency Fund, and the Green Mountain Power Community Energy & Efficiency Development Fund and accounts for measures that have expired over time.

<sup>13</sup> Source: The Vermont Department of Public Service’s Response to Joint Energy Committee Questions Regarding Energy Efficiency Investments, January 8, 2016.

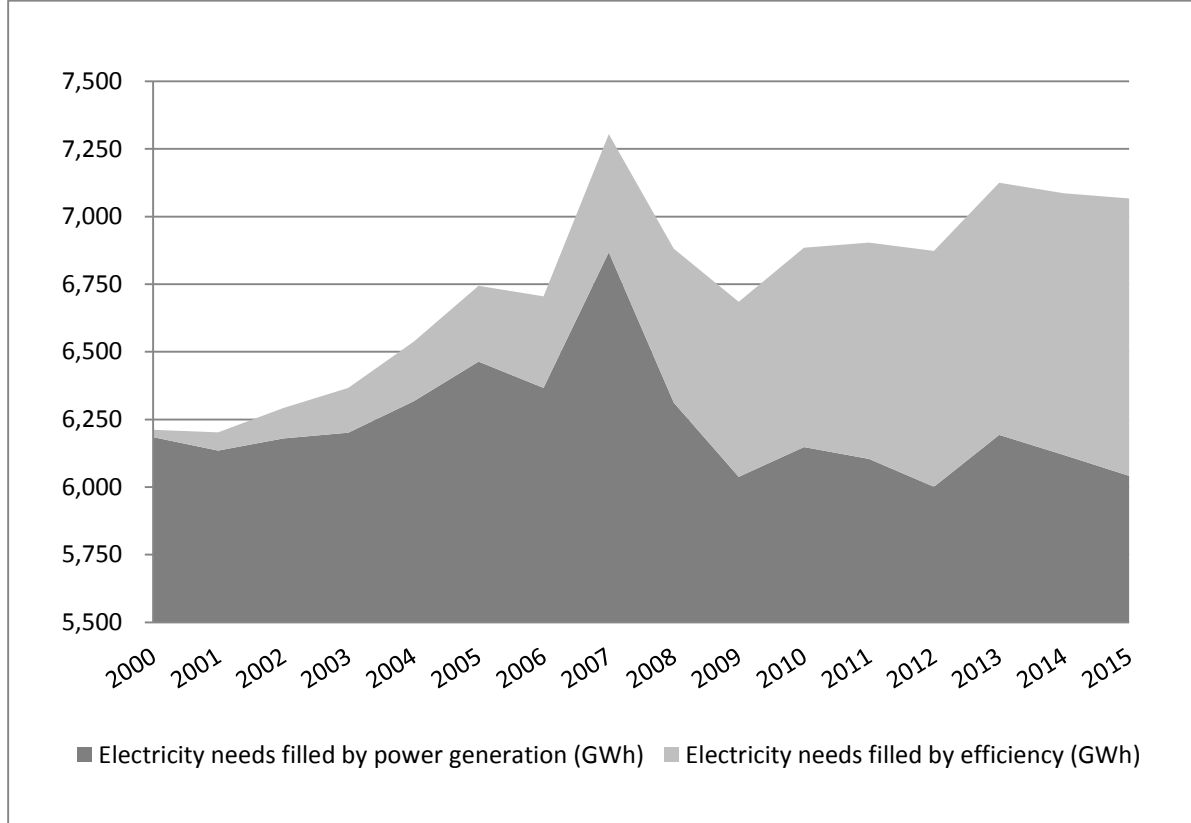
programs. The report estimates that ratepayers would have borne the cost for almost \$480 million in wholesale electricity market purchases “if not for the demand-side efficiency improvements enabled by EEU programs.” The DPS report credited Efficiency Vermont’s services for 88% of Vermont’s EEU-linked electric savings.

The above-referenced report also linked energy efficiency savings with electricity bill savings, noting that as many as 90% of Vermont’s ratepayers have participated in an EEU program and are now paying lower electricity bills. The report also specifies that “Even with the energy efficiency charge added to their bills, ratepayers as a whole have been paying a lower total dollar amount to utilities than if utilities had supplied the electricity that was saved by EEU investments with resales of electricity purchased from the wholesale market.”

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



**Figure 3. Cumulative impact of efficiency on growth in statewide annual electric supply requirements**



In accordance with PSB and statutory requirements, the funding source for Efficiency Vermont’s electric efficiency services was separate and distinct from funding sources for efficiency services related to thermal energy and process fuels (TEPF). Efficiency Vermont ensured that from the customer’s perspective, provision of services was seamless, regardless of the funding source. Electric services were funded through the Energy Efficiency Charge, whereas TEPF services were funded by Vermont’s Regional Greenhouse Gas Initiative revenues and by revenues earned from meeting electric capacity commitments (Efficiency Vermont demand savings) bid into the regional grid’s Forward Capacity Market (FCM). The Efficiency Vermont administrator, the Vermont Energy Investment Corporation (VEIC), bids these expected demand savings into the FCM on behalf of the State of Vermont. Efficiency Vermont’s 2015 FCM commitments<sup>14</sup> represented Vermont’s single largest peak capacity provider, increasing grid capacity by lowering demand. In 2015, 10.94% of Efficiency Vermont spending drew from TEPF funding sources. More detailed budget information is provided in Section 3.2.

<sup>14</sup> Discussed further in Section 2.4.3.



## 1.4 THERMAL ENERGY AND PROCESS FUEL (TEPF) EFFICIENCY SAVINGS<sup>15</sup>

Efficiency Vermont provided both TEPF efficiency services and electric efficiency services, helping Vermont homes and businesses with a comprehensive approach to energy savings. Savings in 2015 from TEPF-funded services totaled approximately 47,000 MMBtu, acquired through the following:

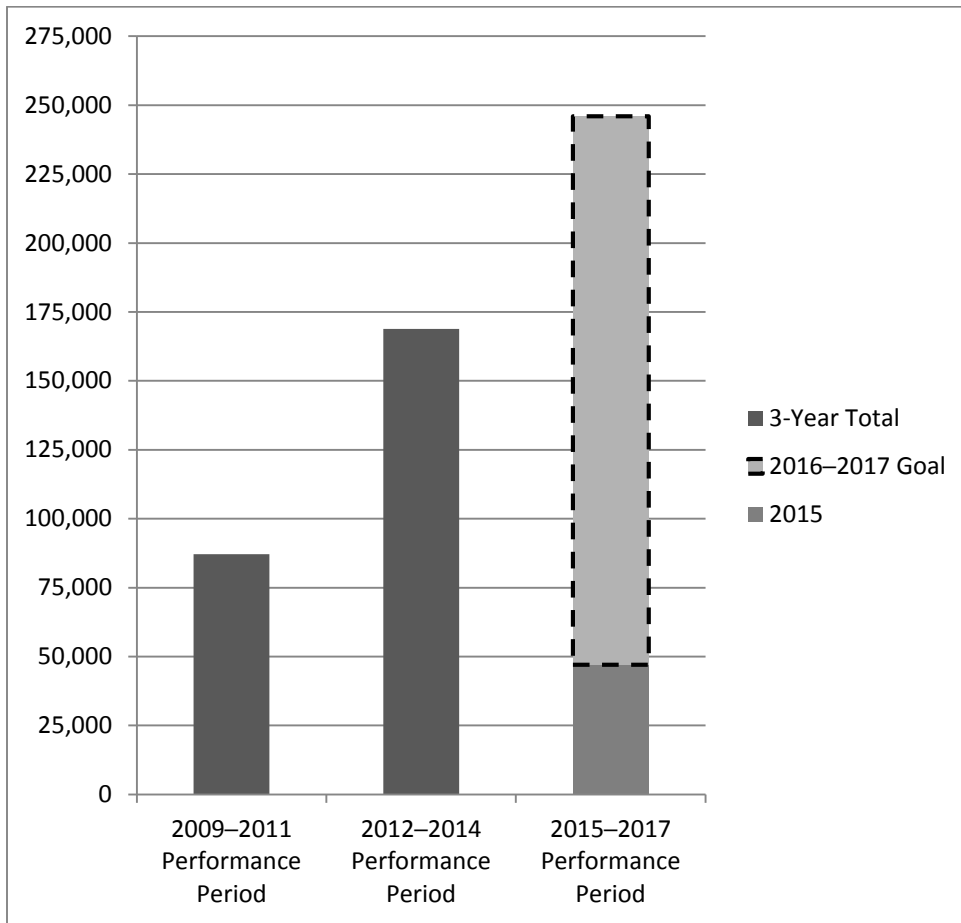
- Services to Efficiency Vermont's statewide network of Home Performance with ENERGY STAR contractors, offering energy efficiency home improvements
- Technical information and financial incentives for high-efficiency residential and commercial heating equipment, including biomass systems and certain efficient oil and propane systems
- Partnerships with fuel dealers, heating contractors, and hot water system installers to enable them to provide specified services to Vermont homeowners regarding efficient heating, ventilation, and air conditioning (HVAC) systems
- Thermal-shell improvements for small businesses and private multifamily property owners through Efficiency Vermont's Building Performance service
- Coordination with affordable housing providers, the Vermont Fuel Efficiency Partnership, and Vermont's Weatherization Program to offer comprehensive multifamily services to low-income households
- Services promoting the installation of recommended efficient non-electric commercial kitchen equipment
- Thermal project partnerships with Burlington Electric Department (BED) and Vermont Gas Systems (VGS).

**Figure 4** shows Efficiency Vermont's TEPF savings over time.

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<sup>15</sup> Savings data in this section do not include Customer Credit.

**Figure 4. Efficiency Vermont’s thermal energy and process fuels savings, in MMBtu**



At the close of 2015, Efficiency Vermont had reached 20% of its target for cumulative TEPF savings for the 2015–2017 performance period.

Efficiency Vermont’s TEPF services were aligned with requirements specified by the PSB 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.

### **1.5 ENVIRONMENTAL BENEFITS**

In addition to energy savings and economic benefits, Efficiency Vermont’s performance in 2015 provided benefits for Vermont’s environment. By lowering the use of fossil fuels for electricity generation, heating, and industrial processing equipment, energy efficiency prevented associated emissions. Efficiency’s role in pollution prevention was of particular note in times of peak electricity demand, when additional fossil fuel–fired power plants were brought on line. In these periods, efficiency measures, such as the use of efficient air conditioners instead of inefficient models during a heat wave, provided their optimal

environmental benefit. **Table 3** shows avoided pollutants over the lifetime of efficiency actions taken in 2015. These reductions are the pollution-prevention equivalent of keeping 12 thousand cars off the road for 13 years.

**Table 3. Avoided pollutants over the lifetime of 2015 measures, in U.S. tons<sup>16</sup>**

<b>Pollutant</b>	<b>2015 Reduction</b>
Carbon dioxide	855,000
Nitrogen oxides	412
Sulfur oxides	912

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<sup>16</sup> Source for fuel savings values: United States Energy Information Administration. Source for electric savings values: United States Environmental Protection Agency's Emissions & Generation Resource Integrated Database for the New England region.

**Attachment B**

*Burlington Electric Department  
2015 Energy Efficiency Annual Report*

BURLINGTON ELECTRIC DEPARTMENT

# 2015 Energy Efficiency Annual Report

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**Table 4: EEU Business & Residential - Total Resource Benefits**

<b>Avoided costs of Electricity</b>	\$7,971,510.20
<b>Fossil Fuel Savings</b>	\$1,915,843.33
<b>Water Savings</b>	<u>\$312,904.61</u>
<b>TRB Total</b>	\$10,200,257.96

	<u><b>Annualized</b></u>	<u><b>Lifetime</b></u>
<b>Meter MWh</b>	6,204	77,424
<b>Generation MWh</b>	6,024	80,842
<b>Meter Demand Kw</b>	2,961	33,687
<b>Generation Peak Summer</b>	628	7,418
<b>Generation Peak Winter Kw</b>	849	11,018
<b>Water Savings</b>	2,834	37,492
<b>Fuel Increase</b>	10,001	160,533
<b>O+M Savings</b>	\$167,086	\$1,405,340

**Table 5: EEU Business & Residential - Summary**

	<u>Prior Year</u> 2014	<u>Current</u> 2015	<u>Program</u> <u>to date</u>
Participants	988	1,021	27,052
<b>--- Program Costs ---</b>			
<b>BED Administration Costs</b>			
General	\$333,701	\$295,995	\$4,493,041
Implemntation	\$14,351	\$2,357	\$2,015,438
Planning	\$0	\$0	\$106,711
Marketing	\$32,109	\$18,555	\$846,851
IT Development	<u>\$0</u>	<u>\$12,705</u>	<u>\$224,662</u>
	<b>\$380,161</b>	<b>\$329,612</b>	<b>\$7,686,703</b>
<b>BED Service Costs</b>			
Participants	\$577,196	\$570,899	\$5,701,694
Trade Allies	<u>\$0</u>	<u>\$0</u>	<u>\$11,761</u>
	<b>\$577,196</b>	<b>\$570,899</b>	<b>\$5,713,455</b>
<b>BED Incentive Costs</b>			
Participants	\$1,242,024	\$1,287,203	\$12,421,870
Trade Allies	<u>\$4,460</u>	<u>\$4,210</u>	<u>\$72,453</u>
	<b>\$1,246,484</b>	<b>\$1,291,414</b>	<b>\$12,494,323</b>
<b>BED Total Costs</b>	<b>\$2,203,840</b>	<b>\$2,191,925</b>	<b>\$25,894,481</b>
<b>Evaluation Costs</b>	<b>\$63,671</b>	<b>\$67,289</b>	<b>\$972,422</b>
<b>Participant</b>	<b>\$3,277,600</b>	<b>\$2,025,393</b>	<b>\$29,855,141</b>
<b>Total Program Costs</b>	<b><u>\$5,545,111</u></b>	<b><u>\$4,284,606</u></b>	<b><u>\$56,722,043</u></b>
<b>--- Benefits ---</b>			
Annualized mWh	5,399	6,025	125,020
Lifetime mWh	64,527	80,842	1,574,110
Winter peak Kw	959	849	21,567
Summer Peak Kw	785	628	14,321
mWh / Participant	5	6	5
Weighted Lifetime	12	13	13

**Table 8: EEU Business - Total Resource Benefits**

<b>Avoided costs of Electricity</b>	\$4,629,927.02
<b>Fossil Fuel Savings</b>	\$2,054,812.82
<b>Water Savings</b>	<u>\$156,905.08</u>
<b>TRB Total</b>	\$6,841,644.79

	<u><b>Annualized</b></u>	<u><b>Lifetime</b></u>
<b>Meter MWh</b>	3,546	49,183
<b>Generation MWh</b>	3,691	50,912
<b>Meter Demand Kw</b>	860	11,757
<b>Generation Peak Summer</b>	382	4,879
<b>Generation Peak Winter Kw</b>	332	4,517
<b>Water Savings</b>	1,440	18,720
<b>Fuel Increase</b>	11,153	171,634
<b>O+M Savings</b>	\$74,627	\$600,502



**Table 9: EEU Business - Summary**

	<u>Prior Year</u> 2014	<u>Current</u> 2015	<u>Program</u> <u>to date</u>
Participants	365	382	2,619
<b>--- Program Costs ---</b>			
<b>BED Administration Costs</b>			
General	\$158,998	\$139,048	\$2,295,281
Implementation	\$11,877	\$0	\$1,271,733
Planning	\$0	\$0	\$62,003
Marketing	\$22,499	\$10,404	\$298,422
IT Development	<u>\$0</u>	<u>\$9,727</u>	<u>\$120,291</u>
	<b>\$193,375</b>	<b>\$159,179</b>	<b>\$4,047,731</b>
<b>BED Service Costs</b>			
Participants	\$434,315	\$430,188	\$3,946,767
Trade Allies	<u>\$0</u>	<u>\$0</u>	<u>\$6,780</u>
	<b>\$434,315</b>	<b>\$430,188</b>	<b>\$3,953,547</b>
<b>BED Incentive Costs</b>			
Participants	\$842,775	\$742,997	\$8,280,517
Trade Allies	<u>\$4,060</u>	<u>\$3,427</u>	<u>\$38,148</u>
	<b>\$846,835</b>	<b>\$746,424</b>	<b>\$8,318,665</b>
<b>BED Total Costs</b>	<b>\$1,474,525</b>	<b>\$1,335,792</b>	<b>\$16,319,944</b>
<b>Evaluation Costs</b>	<b>\$47,753</b>	<b>\$50,467</b>	<b>\$601,987</b>
<b>Participant</b>	<b>\$3,006,372</b>	<b>\$1,709,721</b>	<b>\$20,966,323</b>
<b>Total Program Costs</b>	<b><u>\$4,528,650</u></b>	<b><u>\$3,095,979</u></b>	<b><u>\$37,888,253</u></b>
<b>--- Benefits ---</b>			
Annualized mWh	3,559	3,691	77,465
Lifetime mWh	43,392	50,912	1,034,682
Winter peak Kw	526	332	10,101
Summer Peak Kw	524	382	9,662
mWh / Participant	10	10	30
Weighted Lifetime	12	14	13

**Table 17: EEU Residential - Total Resource Benefits**

<b>Avoided costs of Electricity</b>	\$3,341,583.18
<b>Fossil Fuel Savings</b>	(\$138,969.49)
<b>Water Savings</b>	<u>\$155,999.54</u>
<b>TRB Total</b>	\$3,358,613.16

	<u><b>Annualized</b></u>	<u><b>Lifetime</b></u>
<b>Meter MWh</b>	2,658	28,241
<b>Generation MWh</b>	2,333	29,930
<b>Meter Demand Kw</b>	2,101	21,931
<b>Generation Peak Summer</b>	245	2,539
<b>Generation Peak Winter Kw</b>	517	6,501
<b>Water Savings</b>	1,394	18,772
<b>Fuel Increase</b>	-1,152	-11,101
<b>O+M Savings</b>	\$92,459	\$804,838

**Table 18: EEU Residential - Summary**

	<u>Prior Year</u> 2014	<u>Current</u> 2015	<u>Program</u> <u>to date</u>
Participants	623	639	24,433
<b>--- Program Costs ---</b>			
<b>BED Administration Costs</b>			
General	\$174,703	\$156,947	\$2,197,760
Implementation	\$2,474	\$2,357	\$743,705
Planning	\$0	\$0	\$44,709
Marketing	\$9,610	\$8,151	\$548,428
IT Development	<u>\$0</u>	<u>\$2,978</u>	<u>\$104,371</u>
	<b>\$186,786</b>	<b>\$170,433</b>	<b>\$3,638,972</b>
<b>BED Service Costs</b>			
Participants	\$142,880	\$140,711	\$1,754,926
Trade Allies	<u>\$0</u>	<u>\$0</u>	<u>\$4,981</u>
	<b>\$142,880</b>	<b>\$140,711</b>	<b>\$1,759,907</b>
<b>BED Incentive Costs</b>			
Participants	\$399,249	\$544,206	\$4,141,353
Trade Allies	<u>\$400</u>	<u>\$783</u>	<u>\$34,305</u>
	<b>\$399,649</b>	<b>\$544,989</b>	<b>\$4,175,658</b>
<b>BED Total Costs</b>	<b>\$729,315</b>	<b>\$856,133</b>	<b>\$9,574,537</b>
<b>Evaluation Costs</b>	<b>\$15,918</b>	<b>\$16,822</b>	<b>\$370,435</b>
Participant	\$271,228	\$315,672	\$8,888,818
<b>Total Program Costs</b>	<b><u>\$1,016,461</u></b>	<b><u>\$1,188,627</u></b>	<b><u>\$18,833,790</u></b>
<b>--- Benefits ---</b>			
Annualized mWh	1,840	2,334	47,555
Lifetime mWh	21,135	29,930	539,428
Winter peak Kw	433	517	11,466
Summer Peak Kw	261	246	4,659
mWh / Participant	3	4	2
Weighted Lifetime	11	13	11

**Attachment C**

*Independent Auditors' Report on  
the Combined Financial Statements of  
the Vermont Energy Efficiency Utility Fund and  
the Regional Greenhouse Gas Initiative Fund*



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## **VERMONT ENERGY EFFICIENCY UTILITY FUND**

Combined Financial Statements

Year Ended December 31, 2015

With Independent Auditors' Report

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## INDEPENDENT AUDITORS' REPORT

To the Vermont Public Service Board  
Montpelier, Vermont:

### Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of the Vermont Energy Efficiency Utility Fund ("the Fund") and its component unit, the Regional Greenhouse Gas Initiative Fund of Vermont ("RGGI"), both special revenue funds of the State of Vermont as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

#### *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 financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 opinion.

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### *Opinion*

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the respective financial position of the Fund and its component unit, RGGI, as of December 31, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

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

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2016 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
June 21, 2016



**VERMONT ENERGY EFFICIENCY UTILITY FUND**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2015**

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This discussion and analysis provides key information from management highlighting the overall financial performance of the Vermont Energy Efficiency Utility Fund (the Fund) for the year ended December 31, 2015. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the Fund's financial statements.

**Financial Highlights**

Major financial highlights for the year ended December 31, 2015 are listed below:

- ▶ The assets of the Fund exceeded its liabilities at year-end by \$6,942,562 (net position). Of this amount, \$3,272,799 is available to meet the Fund's ongoing obligations to Vermont utility ratepayers, other Vermont residents and businesses, and creditors.
- ▶ In total, net position decreased by \$1,854,092, or 21%.
- ▶ The Fund had total operating expenses of \$60,961,579, an increase of \$3,457,559 over 2014. Total operating revenue increased similarly to \$59,099,109, but wasn't sufficient to cover operating costs, resulting in an operating loss of \$1,862,470.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Fund's basic financial statements. The Fund's basic financial statements comprise of a statement of net position, a statement of revenues, expenses and changes in net position, a statement of cash flows, and notes to the financial statements.

The statement of net position presents information on all of the Fund's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Fund's financial position.

The statement of revenues, expenses and changes in net position presents information showing how the Fund's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

The statement of cash flows relates to the flows of cash and cash equivalents. Consequently, only transactions that affect the Fund's cash accounts are recorded in this statement. A reconciliation is provided at the bottom of the statement to assist in understanding of the difference between cash flows from operating activities and operating income or loss.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

## FINANCIAL ANALYSIS

### A. Net Position at year-end

The following table presents a condensed summary of the Fund's overall financial position at December 31, 2015 and 2014:

	<u>2015</u>	<i>Restated</i> <u>2014</u>
Current assets	\$ 15,085,834	\$ 20,000,817
Total assets	<u>15,085,834</u>	<u>20,000,817</u>
Current liabilities	6,763,515	7,868,093
Long-term liabilities	<u>1,379,757</u>	<u>3,336,070</u>
Total liabilities	<u>8,143,272</u>	<u>11,204,163</u>
Restricted net position	3,669,763	3,203,756
Unrestricted net position	<u>3,272,799</u>	<u>5,592,898</u>
Total net position	<u>\$ 6,942,562</u>	<u>\$ 8,796,654</u>

Total assets decreased by \$4,914,983. The majority of the decrease occurred in cash and cash equivalents due to payment of the performance incentives earned on the 2012-2014 performance cycle of approximately \$3.1 million. This also contributed to the decrease in total liabilities.

## B. Change in Net Position during 2015

The following table presents a condensed summary of the Fund's activities during the years 2015 and 2014 and the resulting change in net position:

	2015	2014
Operating revenue:		
Assessments	\$ 51,527,464	\$ 48,215,286
Forward Capacity Market proceeds	4,406,183	4,970,551
Regional Greenhouse Gas Initiative	3,091,462	2,886,322
Other revenue	74,000	46,900
Total operating revenue	<u>59,099,109</u>	<u>56,119,059</u>
Operating expenses:		
Energy programs	52,055,762	49,852,112
Monitoring and evaluation	1,925,229	1,418,768
Administrative	6,431,627	5,762,912
Taxes	548,961	470,228
Total operating expenses	<u>60,961,579</u>	<u>57,504,020</u>
Operating income (loss)	(1,862,470)	(1,384,961)
Non-operating revenue:		
Interest earnings	<u>8,378</u>	<u>22,877</u>
Change in net position	(1,854,092)	(1,362,084)
Net position - beginning, <i>restated</i>	<u>8,796,654</u>	<u>10,158,738</u>
Net position - ending	<u>\$ 6,942,562</u>	<u>\$ 8,796,654</u>

The Fund experienced a decrease in net position of \$1,854,092. Assessments revenue increased \$3,312,178 due to an average 10% increase in the energy efficiency charge. Additionally, RGGI auction proceeds also experienced increases due to increased CO<sub>2</sub> allowances being auctioned at increasingly higher clearing prices. Forward capacity market proceeds decreased due to entering into a new capacity commitment period at lower clearing pricing. Operating expenses increased approximately 6% due to increased demand for energy efficiency products.

### 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 \$4,406,183 in 2015.

State law requires that all of the Regional Greenhouse Gas Initiative (RGGI) auction revenue, net of administrative costs, be deposited into the Fund, and that any such net revenues not transferred to the State PACE reserve fund must be used for funding thermal energy and process-fuel efficiency services. The 2015 RGGI revenue deposited into the Fund was \$3,091,462, and the 2014 RGGI revenue deposited into the Fund was \$2,886,322.

The RGGI Fund is presented as a component unit of the Fund. Net position as of December 31, 2015 was \$887,574 compared to \$739,103 as of December 31, 2014. Total operating revenue was \$236,293 in 2015 (\$0 in 2014), with total operating expenses of \$88,687 in 2015 (\$126,900 in 2014). The increase in revenue was attributable to the RGGI Fund receiving higher auction clearing prices throughout 2015.

On April 17, 2015, the Board issued an Order of Appointment to Vermont Gas Systems, Inc. to service as the natural gas energy efficiency utility within its service territory. The Fund incurred minor startup expenses during 2015 and will begin operations in 2016.

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 Fund.

#### **REQUESTS FOR ADDITIONAL INFORMATION**

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

VERMONT ENERGY EFFICIENCY UTILITY FUND  
Statement of Net Position  
December 31, 2015

	Primary Fund <u>VEEUF</u>	Component Unit <u>RGGI</u>	Combined <u>Total</u>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 5,813,197	\$ 886,574	\$ 6,699,771
Accounts receivable:			
Receivable from energy distributors	9,272,637	-	9,272,637
Prepaid expense	<u>-</u>	<u>1,000</u>	<u>1,000</u>
Total Assets	<u>15,085,834</u>	<u>887,574</u>	<u>15,973,408</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Payable for energy programs	4,459,540	-	4,459,540
Payable to energy distributors for uncollectibles and overpayments	303,176	-	303,176
Accounts payable and accrued expenses	1,596,244	-	1,596,244
Taxes payable	<u>404,555</u>	<u>-</u>	<u>404,555</u>
Total current liabilities	<u>6,763,515</u>	<u>-</u>	<u>6,763,515</u>
Noncurrent Liabilities:			
Accrued VEIC performance incentive	<u>1,379,757</u>	<u>-</u>	<u>1,379,757</u>
Total Liabilities	<u>8,143,272</u>	<u>-</u>	<u>8,143,272</u>
<b>NET POSITION</b>			
Restricted:			
Restricted for SMEEP	92,481	-	92,481
Restricted for TEPF	3,339,967	877,574	4,217,541
Restricted for GMP EEF monitoring & evaluation	37,951	-	37,951
Restricted for CEED	<u>199,364</u>	<u>-</u>	<u>199,364</u>
Total Restricted	<u>3,669,763</u>	<u>877,574</u>	<u>4,547,337</u>
Unrestricted	<u>3,272,799</u>	<u>10,000</u>	<u>3,282,799</u>
Total Net Position	<u>\$ 6,942,562</u>	<u>\$ 887,574</u>	<u>\$ 7,830,136</u>

See accompanying notes to the financial statements.

VERMONT ENERGY EFFICIENCY UTILITY FUND  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended December 31, 2015

	Primary Fund						VEEUF Total	Component	Combined
	Unrestricted	SMEEP	TEPF	GMP EEF	CEED	Natural Gas		Unit	
							RGGI	Total	
<b>OPERATING REVENUES:</b>									
Assessments (Energy Efficiency Charge)	\$ 51,527,464	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,527,464	\$ -	\$51,527,464
Forward Capacity Market	-	-	4,406,183	-	-	-	4,406,183	-	4,406,183
Regional Greenhouse Gas Initiative	-	-	3,091,462	-	-	-	3,091,462	236,293	3,327,755
CEED	-	-	-	-	74,000	-	74,000	-	74,000
Total Operating Revenues	<u>51,527,464</u>	<u>-</u>	<u>7,497,645</u>	<u>-</u>	<u>74,000</u>	<u>-</u>	<u>59,099,109</u>	<u>236,293</u>	<u>59,335,402</u>
<b>OPERATING EXPENSES:</b>									
Energy programs	46,535,419	-	5,507,221	-	-	-	52,042,640	82,811	52,125,451
Monitoring and evaluation	1,067,154	89	823,747	34,239	13,122	-	1,938,351	-	1,938,351
Administrative costs	5,867,984	-	727,220	-	-	6,423	6,431,627	5,876	6,437,503
Taxes	548,961	-	-	-	-	-	548,961	-	548,961
Total Operating Expenses	<u>53,849,518</u>	<u>89</u>	<u>7,058,188</u>	<u>34,239</u>	<u>13,122</u>	<u>6,423</u>	<u>60,961,579</u>	<u>88,687</u>	<u>61,050,266</u>
Operating Income (Loss)	<u>(2,322,054)</u>	<u>(89)</u>	<u>439,457</u>	<u>(34,239)</u>	<u>60,878</u>	<u>(6,423)</u>	<u>(1,862,470)</u>	<u>147,606</u>	<u>(1,714,864)</u>
<b>NONOPERATING REVENUES:</b>									
Investment earnings	8,378	-	-	-	-	-	8,378	865	9,243
Change in Net Position	<u>(2,313,676)</u>	<u>(89)</u>	<u>439,457</u>	<u>(34,239)</u>	<u>60,878</u>	<u>(6,423)</u>	<u>(1,854,092)</u>	<u>148,471</u>	<u>(1,705,621)</u>
Net Position - Beginning, restated	<u>5,592,898</u>	<u>92,570</u>	<u>2,900,510</u>	<u>72,190</u>	<u>136,486</u>	<u>-</u>	<u>8,768,654</u>	<u>739,103</u>	<u>9,535,757</u>
Net Position - Ending	<u>\$ 3,279,222</u>	<u>\$ 92,481</u>	<u>\$ 3,339,967</u>	<u>\$ 37,951</u>	<u>\$ 199,364</u>	<u>\$ (6,423)</u>	<u>\$ 6,942,562</u>	<u>\$ 887,574</u>	<u>\$ 7,830,136</u>

See accompanying notes to the financial statements.

VERMONT ENERGY EFFICIENCY UTILITY FUND  
Statement of Cash Flows  
For the Year Ended December 31, 2015

	Primary Fund <u>VEEUF</u>	Component Unit <u>RGGI</u>	Combined <u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from distribution utilities	\$ 51,476,512	\$ -	\$ 51,476,512
Proceeds from Forward Capacity Market	4,550,981	-	4,550,981
Receipts from RGGI Fund	3,091,462	-	3,091,462
Proceeds from CO <sub>2</sub> allowance auctions	-	3,327,755	3,327,755
Receipts from GMP for CEED monitoring	74,000	-	74,000
Payments to energy efficiency utilities	(55,552,964)	-	(55,552,964)
Payments to VEEUF	-	(3,091,462)	(3,091,462)
Payments for TEPF efficiency programs	(7,172,433)	-	(7,172,433)
Payments for SMEEP programs	(614)	-	(614)
Payments for GMP energy efficiency fund	(45,318)	-	(45,318)
Payments for CEED programs	(12,648)	-	(12,648)
Payments for other administration	(114,380)	(88,687)	(203,067)
Payments for taxes	(509,684)	-	(509,684)
Net cash flows from operating activities	<u>(4,215,086)</u>	<u>147,606</u>	<u>(4,067,480)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest on investments	<u>8,378</u>	<u>865</u>	<u>9,243</u>
Net change in cash and cash equivalents	(4,206,708)	148,471	(4,058,237)
Cash and cash equivalents - beginning	<u>10,019,905</u>	<u>738,103</u>	<u>10,758,008</u>
Cash and cash equivalents - ending	<u>\$ 5,813,197</u>	<u>\$ 886,574</u>	<u>\$ 6,699,771</u>
<b>Reconciliation of operating income (loss) to net cash from operating activities:</b>			
Operating income (loss)	\$ (1,862,470)	\$ 147,606	\$ (1,714,864)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Change in receivables	93,846	-	93,846
Change in regulatory assets	614,429	-	614,429
Change in payable for energy programs	(1,251,369)	-	(1,251,369)
Change in payables to energy distributors	109,252	-	109,252
Change in accounts payable and accrued expenses	(1,738)	-	(1,738)
Change in taxes payable	39,277	-	39,277
Change in accrued VEIC performance incentive	(1,956,313)	-	(1,956,313)
Net cash flows from operating activities	<u>\$ (4,215,086)</u>	<u>\$ 147,606</u>	<u>\$ (4,067,480)</u>

See accompanying notes to the financial statements

VERMONT ENERGY EFFICIENCY UTILITY FUND  
Notes to the Financial Statements  
For the Year Ended December 31, 2015

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Vermont Energy Efficiency Utility Fund (the Fund) have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies utilized by the Fund are summarized below.

A. Reporting Entity

Pursuant to 30 Vermont Statutes Annotated (V.S.A.) § 209(d), the Vermont Public Service Board (the Board) established the Vermont Energy Efficiency Utility Fund (the Fund) to fund statewide electric and thermal energy and process fuels (TEPF) efficiency programs.

The Fund is reported as part of the Special Fund within the State of Vermont and is part of the State's primary government.

In 2009, the Board established the current structure of the Fund, operating under an Order of Appointment model. Under this model, the Board appoints energy efficiency utilities to deliver energy efficiency services. The appointments are for an initial rolling 12-year term appointment and subsequent "renewal" terms of approximately 11 years, as opposed to the 3-year contract terms under the previous structure. Currently, the Board has appointed two entities to serve as energy efficiency utilities (EEUs): Vermont Energy Investment Corporation (VEIC) (d.b.a. Efficiency Vermont) to deliver energy efficiency services throughout most of the state through December 31, 2021 and the City of Burlington Electric Department (BED) to deliver energy efficiency services within its service territory.

The Vermont Department of Public Service (DPS), a separate state agency, serves as the State's energy office and as the public advocate in proceedings before the Board. The DPS is the lead entity for evaluating and monitoring the EEUs. In addition, the Board determined that the DPS would review and approve all vendor invoices, except its own which are reviewed and approved by the Board, with the Board holding ultimate authority over approval of invoices for payment from the Fund.

Pursuant to 30 V.S.A. § 209, the Board established a volumetric charge to customers, the Energy Efficiency Charge (EEC), for the support of energy efficiency programs. The EEC is collected by distribution utilities throughout the State and remitted to the Fund on a monthly basis. In 2015, there were seventeen distribution utilities assessing these charges. Pursuant to Board Rule 5.300, the Board issued a Memorandum dated November 1, 2014 which set the 2015 EEC rates to take effect with bills rendered February 1, 2015.



VERMONT ENERGY EFFICIENCY UTILITY FUND  
Notes to the Financial Statements  
For the Year Ended December 31, 2015

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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued***

A. **Reporting Entity – *continued***

Natural Gas Energy Efficiency

On April 17, 2015, the Public Service Board issued an Order of Appointment to Vermont Gas Systems, Inc ("VT Gas") to serve as the natural gas energy efficiency utility ("EEU") within its service territory. Budgets and performance standards applicable to VT Gas were developed in a Public Service Board proceeding. The collection of the energy efficiency charge with respect to VT Gas' EEU services will commence in early 2016.

Forward Capacity Market

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

Regional Greenhouse Gas Initiative

The Regional Greenhouse Gas Initiative (RGGI) is a cooperative effort by nine Northeastern and Mid-Atlantic states, including Vermont, 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 Board implements the auction provisions of the RGGI program and has established a process to allocate the carbon credits that Vermont receives as part of its participation in RGGI. Pursuant to 30 V.S.A. § 255(d), auction proceeds (net of administrative costs) are deposited into the Fund and restricted for TEPF energy efficiency services. The transactions of the RGGI are accounted for separately under the Regional Greenhouse Gas Initiative Fund of Vermont (VT RGGI) by a Board-contracted RGGI Trustee. However, since the Fund is legally entitled to all of the proceeds of the VT RGGI, pursuant to GASB Statement No. 61, the financial activity of the VT RGGI has been included as a component unit of the Fund (Note 7).

B. **Basis of Accounting and Presentation**

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

Enterprise accounting uses a flow of economic resource measurement focus. With this measurement focus, all assets and liabilities are included in the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the Fund finances and meets its cash flow needs of its enterprise activities.

VERMONT ENERGY EFFICIENCY UTILITY FUND  
Notes to the Financial Statements  
For the Year Ended December 31, 2015

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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued***

B. **Basis of Accounting and Presentation – *continued***

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

C. **Fiscal Agent**

The Board has appointed and contracted with Batchelder Associates, PC as the Fund's fiscal agent to provide the accounting function of managing the Fund. The current contract covers the period January 1, 2012 through December 31, 2013, with an optional two-year renewal that was executed through December 31, 2015. A new contract was executed in December 2015 that covers the period January 1, 2016 through December 31, 2017, with an optional two-year renewal through December 31, 2019. For the year ended December 31, 2015, the fiscal agent was paid \$20,336 in fixed costs and \$69 in variable costs.

D. **Cash and Cash Equivalents**

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

E. **Receivables**

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

F. **Accrued Performance Incentive**

The Board approves a Demand Resource Plan (DRP) that establishes the programs and services to be provided on a three-year performance cycle; the current performance cycle covers 2015 – 2017. The DRP includes quantifiable performance indicators that monetarily incentivize non-utility entities to meet its goals. Currently, VEIC is the only EEU that qualifies for these monetary incentives. The incentives are accrued ratably over the three-year cycle, when upon completion, are subject to verification by DPS and approval by the Board prior to being disbursed. The Fund paid \$3,087,299 in August 2015 for performance incentives earned on the 2012-2014 performance cycle. The maximum electric energy efficiency performance incentive that VEIC can earn in the current performance cycle (2015-2017) is \$3,915,693. The maximum TEIPF energy efficiency performance incentive for the same period is \$526,989.

VERMONT ENERGY EFFICIENCY UTILITY FUND  
Notes to the Financial Statements  
For the Year Ended December 31, 2015

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

H. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

Restricted for TEPF – 30 V.S.A. § 209(e) restrict the net proceeds from participation in the FCM and RGGI to thermal energy and process fuels (TEPF) energy efficiency services.

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

Restricted for CEED – As part of the merger between GMP and Central Vermont Public Service Corporation, the Board approved the establishment of a Community Energy and Efficiency Development (CEED) Fund, a plan by GMP to invest approximately \$21 million of windfall profits in demand-side management, renewable energy, and other efficiency programs. CEED monies received by the Fund are restricted for DPS' evaluation and verification of CEED Fund activities.

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

I. 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 reporting of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**VERMONT ENERGY EFFICIENCY UTILITY FUND**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2015**

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**2. CASH AND CASH EQUIVALENTS**

The Fund maintains its cash balances with a local financial institution under the control of the fiscal agent. The Fund follows the State of Vermont investment policies under 32 V.S.A. § 433. Excess balances are "swept" into government securities on a daily basis under a repurchase agreement.

Custodial credit risk is the risk that, in the event of a bank failure, the Fund's deposits may not be returned to it. As of December 31, 2015, the Fund's bank balance of \$6,081,251 was exposed to custodial credit risk since it was uninsured and collateralized with by a pool of Federal Home Loan Mortgage Corporation securities held by the Federal Reserve Bank of New York for People's United Bank. As of December 31, 2015, these securities provided collateral value 102% of deposit balances.

**3. ENERGY PROGRAM DISTRIBUTIONS**

Distributions for energy efficiency services were made to the VEIC, for Efficiency Vermont, and BED during the year by the fiscal agent in accordance with the terms of their contracts, or as directed by the DPS, with concurrence of the Board. Distributions for the year ended December 31, 2015 were made as follows:

VERMONT ENERGY EFFICIENCY UTILITY FUND  
Notes to the Financial Statements  
For the Year Ended December 31, 2015

3. ENERGY PROGRAM DISTRIBUTIONS – *continued*

	Unrestricted	TEPF
Energy Efficiency Programs:		
Efficiency Vermont:		
Business New Construction	\$ 3,475,905	\$ -
Business Existing Facilities	18,621,876	-
Business TEPF	-	564,673
Customer Credit Program	505,477	-
Residential New Construction	3,019,600	-
Residential Existing Homes	4,150,211	-
Residential TEPF	-	4,828,729
Research & Development	1,095,988	-
Energy Efficient Products	13,459,020	-
Smart Grid Participation	19,118	-
Subtotal	44,347,195	5,393,402
Burlington Electric Department:		
Business New Construction	415,809	-
Business Existing Facilities	908,331	-
Business Unregulated Fuels	-	1,545
Residential New Construction	190,276	-
Residential Existing Homes	124,502	-
Residential Unregulated Fuels	-	-
Energy Efficient Products	541,455	50,952
Research & Development	7,851	-
Subtotal	2,188,224	52,497
Green Mountain Power:		
Efficiency Fund Capacity	-	61,322
Subtotal	-	61,322
Total	\$ 46,535,419	\$ 5,507,221

VERMONT ENERGY EFFICIENCY UTILITY FUND  
Notes to the Financial Statements  
For the Year Ended December 31, 2015

4. ADMINISTRATIVE COSTS

Administrative costs incurred by the Fund for the year ended December 31, 2015 were:

	<u>Unrestricted</u>	<u>TEPF</u>	<u>Natural Gas</u>
Efficiency Vermont:			
Applied R&D	\$ 327,097	\$ 42,349	\$ -
Education	570,937	65,188	-
Evaluation	723,416	98,675	-
General Administration	230,858	31,634	-
Information Technology	1,188,864	162,053	-
Planning & Reporting	314,427	42,877	-
Policy & Public Affairs	765,871	103,085	-
Performance Incentives	971,571	159,415	-
Subtotal	<u>5,093,041</u>	<u>705,276</u>	<u>-</u>
Burlington Electric Department:			
Applied R&D	4,916	205	-
Education	38,809	4,240	-
Evaluation	21,586	414	-
General Administration	33,349	274	-
Information Technology	12,389	987	-
PACE Loan Pilot	-	309	-
Planning & Reporting	79,840	1,217	-
Policy & Public Affairs	10,840	-	-
Smart Grid & AMI	19,855	-	-
Subtotal	<u>221,584</u>	<u>7,646</u>	<u>-</u>
Other:			
EEU Advertising	6,519	-	-
Uncollectibles	240,580	-	-
Fiscal Agent & Audit Fees	133,744	-	-
Bank Fees and Postage	2,516	-	-
TEPF Clearinghouse	-	14,298	-
TEC Project Tasks	-	-	6,423
Subtotal	<u>383,359</u>	<u>14,298</u>	<u>6,423</u>
Total	<u>\$ 5,697,984</u>	<u>\$ 727,220</u>	<u>\$ 6,423</u>

VERMONT ENERGY EFFICIENCY UTILITY FUND  
Notes to the Financial Statements  
For the Year Ended December 31, 2015

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5. DPS MONITORING AND EVALUATION

The Department of Public Services (DPS) monitoring and evaluation expenses incurred by program for the year ended December 31, 2015 were:

	<u>Unrestricted</u>	<u>SMEEP</u>	<u>TEPF</u>	<u>GMP EEF</u>	<u>CEED</u>	<u>Total</u>
VEEUF	\$ 1,067,154	\$ -	\$ -	\$ -	\$ -	\$ 1,067,154
Forward Capacity Market	-	-	759,052	-	-	759,052
Unregulated Fuels	-	-	64,695	-	-	64,695
GMP Energy Efficiency Fund	-	-	-	34,239	-	34,239
SMEEP activities	-	89	-	-	-	89
CEED evaluation & verification	-	-	-	-	13,122	13,122
	<u>\$ 1,067,154</u>	<u>\$ 89</u>	<u>\$ 823,747</u>	<u>\$ 34,239</u>	<u>\$ 13,122</u>	<u>\$ 1,938,351</u>

6. TAXES

Pursuant to 33 V.S.A. § 2503, a gross receipts fuel tax of one-half percent on assessment collections is payable to the Home Weatherization Assistance Fund. Payments are made quarterly to the Vermont Department of Taxes. Additionally, pursuant to 30 V.S.A. §22, a gross operating revenue tax of one-half percent on assessment collections is payable to the Vermont State Treasurer annually to finance the DPS and the Board.

As of December 31, 2015, the following taxes were payable:

Gross Operating Revenue Taxes	\$ 299,294
Home Weatherization Assistance Fund Taxes	<u>105,261</u>
	<u>\$ 404,555</u>

Expenses related for the year ended December 31, 2015 were:

Gross Operating Revenue Taxes	\$ 274,485
Home Weatherization Assistance Fund Taxes	<u>274,476</u>
	<u>\$ 548,961</u>

VERMONT ENERGY EFFICIENCY UTILITY FUND  
Notes to the Financial Statements  
For the Year Ended December 31, 2015

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7. COMPONENT UNIT

Regional Greenhouse Gas Initiative Fund of Vermont

In 2005, Vermont joined the Regional Greenhouse Gas Initiative (RGGI), an effort among nine states to cap and reduce CO<sub>2</sub> emissions from fossil-fuel-fired electric generation facilities with a nameplate capacity of 25 MW or greater. Vermont had approximately 1.2 million tons of CO<sub>2</sub> allowance 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.

30 V.S.A. § 255 requires the Agency of Natural Resources and the Board 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

Basis of Presentation and Accounting

The financial statements solely reflect the financial activities of Vermont's portion of the RGGI through the Regional Greenhouse Gas Initiative Fund of Vermont (VT RGGI). The financial statements for VT RGGI have been presented as a component unit of the Fund (Note 1). The financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred, regardless of the timing of receipt or cash payment related to those transactions. All transactions are accounted for in a single enterprise fund.

Enterprise accounting uses a flow of economic resource measurement focus. With this measurement focus, all assets and liabilities are included in the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the VT RGGI finances and meets its cash flow needs of its enterprise activities.

Operating revenues are defined as income received from CO<sub>2</sub> allowance auctions. Operating expenses are defined as ordinary costs and expenses of the VT RGGI to provide energy efficiency programs and services. Revenues and expenses not meeting this definition are reported as non-operating.

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.

VT RGGI maintains its cash balances with a local financial institution under the control of the fiscal agent. VT RGGI follows the State of Vermont investment policies under 32 V.S.A. § 433. Excess balances are "swept" into government securities on a daily basis under a repurchase agreement.



VERMONT ENERGY EFFICIENCY UTILITY FUND  
Notes to the Financial Statements  
For the Year Ended December 31, 2015

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7. COMPONENT UNIT – *continued*

Regional Greenhouse Gas Initiative Fund of Vermont – *continued*

Custodial credit risk is the risk that, in the event of a bank failure, VT RGGI's deposits may not be returned to it. As of December 31, 2015, VT RGGI's bank balance of \$886,675 was exposed to custodial credit risk since it was uninsured and collateralized by a pool of collateralized mortgage securities held by the Federal Reserve Bank of New York for People's United Bank. As of December 31, 2015, these securities provided collateral value 102% of deposit balances.

Energy Program Distributions

Energy program distributions made by VT RGGI for the year ended December 31, 2015 to the Vermont Agency of Natural Resources were \$82,811.

Administrative Costs

Administrative costs incurred by VT RGGI for the year ended December 31, 2015 were:

Trustee Fees	\$ 4,000
Bank Charges	1,776
Travel	<u>100</u>
	<u>\$ 5,876</u>

Trustee

The Board has appointed and contracted with Batchelder Associates, PC as VT RGGI's trustee to provide the accounting function of managing the VT RGGI. The current contract covers the period January 1, 2012 through December 31, 2013, with an opportunity for a two-year renewal. A new contract was executed in December 2015 that covers the period January 1, 2016 through December 31, 2017, with an optional two-year renewal through December 31, 2019. For the year ended December 31, 2015, the trustee was paid \$4,000.

Net Position

The Board established a minimum balance of \$10,000 to minimize administrative costs. The remaining net position balance at December 31, 2015 of \$877,574 was restricted for use by the Vermont Energy Efficiency Utility Fund for thermal energy and process fuels energy efficiency programs

VERMONT ENERGY EFFICIENCY UTILITY FUND  
Notes to the Financial Statements  
For the Year Ended December 31, 2015

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**8. RESTATEMENT**

The Fund restated its beginning net position within the Unrestricted and TEPF columns on the Statement of Revenues, Expenses and Changes in Net Position to correct the misclassification of expenses in prior years. Net position at December 31, 2014 between these two activities has been restated to reflect the correction of this error.

	<u>Unrestricted</u>	<u>TEPF</u>
Net position, December 31, 2014	\$ 4,611,656	\$ 3,881,752
Correction of expense misclassifications	<u>981,242</u>	<u>(981,242)</u>
Restated net position, December 31, 2014	<u>\$ 5,592,898</u>	<u>\$ 2,900,510</u>

**9. SUBSEQUENT EVENT**

In February 2016, the Board extended VEIC's (d.b.a. Efficiency Vermont) order of appointment to deliver energy efficiency services through December 31, 2026.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITORS' REPORT

To the 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 (the Fund) and its component unit, the Regional Greenhouse Gas Initiative Fund of Vermont (RGGI), as of and for the year ended December 31, 2015 and the related notes to the financial statements, which collectively comprise the Fund's combined financial statements and have issued our report thereon dated June 21, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the combined financial statements, we considered the Fund'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 Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses as Finding 2015-001, we identified a certain deficiency in internal control that we consider to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund'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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Fund's Response to the Finding

The Fund's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Fund's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

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

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio

June 21, 2016

VERMONT ENERGY EFFICIENCY UTILITY FUND  
Schedule of Findings and Responses  
Year Ended December 31, 2015

Finding 2015-001 – Prior Period Restatement

It was discovered during 2015 that certain expense accounts were assigned to the wrong program activity, due to being incorrectly set up in 2012. The Fund restated beginning net position in the amount of \$981,242 between the Unrestricted and restricted TEPF columns on the Statement of Revenues, Expenses and Changes in Net Position to correct the classification error. Our professional standards consider the restatement of previously issued financial statements to reflect the correction of a material misstatement due to error a material weakness in internal control over financial reporting

**Management Response:** A meeting was held in May 2016 to begin to address procedural issues, including the establishment of a work group to review and develop internal financial reports and invoicing procedures.

VERMONT ENERGY EFFICIENCY UTILITY FUND  
Schedule of Prior Year Audit Findings  
Year Ended December 31, 2015

Finding 2014-001 – Prior Period Restatement

The Fund restated beginning net position to correct an error made in prior years for incorrectly prepared remittance documentation provided to the Fund by one utility distribution. The utility distribution had undergone employee turnover and the reporting information being reported to the Fund was submitted under incorrect dates, which crossed over a fiscal year. This created the prior restatement, once corrected by the utility.

**Status:** The circumstances that led to the restatement in 2014 have been corrected. However, there were other issues that led to a restatement in 2015; see Finding 2015-001.