H.739 An act relating to energy productivity investments under the self-managed energy efficiency program

Sec. 1. Amends 30 V.S.A. § 209(j), which governs the self-managed energy efficiency program (SMEEP)

- Currently under SMEEP, eligible program participants include customers within the transmission and industrial rate class whose energy efficiency charge (EEC) totaled $1.5 million or more in 2008. In addition, these customers must have a comprehensive energy management program (ISO 14001 certification). Finally, they must commit at least $1 million/year (on average) to each three-year period in which they participate in SMEEP.

- The bill, as passed by the House, contains three changes to SMEEP. First, it expands the eligible projects under the program to include productivity programs and measures. "Productivity programs and measures" means investments that reduce the amount of energy required to produce a unit of product. The current program only allows for investments in energy efficiency. Second, it allows participants in SMEEP to count funds received from the government or other entities towards the required annual investment in efficiency. The last change amended the qualifications for participating in SMEEP. Currently, the only customer that qualifies for participation in SMEEP is Global Foundries. This amendment set a new threshold, allowing customers that paid at least $1.5 million in EEC during 2017 to participate. This would potentially allow the company OMYA to join SMEEP. It amends the statute so that participants who paid $1.5 million in EEC in 2017 must spend on average $500,000 per year on efficiency programs.

- The Senate amendment adds language to clarify the definition of "productivity." It changes it to "energy productive programs and measures" and it further adds that it means "investments that reduce the amount of energy required to produce a unit of product below baseline energy use." It also adds that "baseline energy use shall be calculated as the average amount of energy required to make one unit of the same product in the two years preceding implementation of the program or measure."

- The Senate also adds that the procedures determine energy savings shall be consistent with the requirements of the Independent System Operator (ISO) of New England (NE) Forward Capacity Market (FCM), so that electric savings that are realized from SMEEP projects can be bid into the FCM. It adds that a SMEEP participant shall work with the Department of Public Service (DPS) to determine if it is cost-effective to submit project savings to ISO NE FCM. Adds definition of "cost-effective." It also adds that if it is determined to be cost-effective, the projects shall be submitted and the resulting payments shall go to the Electric Efficiency Fund (EEF).

Sec. 2. Creates the Energy Savings Account Partnership Pilot

- Sec. 2 directs the Public Utility Commission to create, by July 1, 2019, a three-year Energy Savings Account Partnership Pilot Program.

- Energy savings accounts (ESA) exist under current law. The existing program allows eligible business customers the option to self-administer energy efficiency efforts instead of participating in the statewide services provided by the energy efficiency utility (EEU). Under the current ESA program, the customer pays the EEC and 70% of that amount then flows back to the customer to pay for its own completed efficiency projects. The remainder is used by the EEU for systemwide benefits. To be eligible, a customer's annual EEC must total at least $5,000 per year.

- This pilot program would expand the ESA program with respect to customers in areas served by Efficiency Vermont (EVT). The participants will pay their EEC and be able to use 100% of the amount paid for its own efficiency projects. Participants also would be able to access these funds before project completion.

- Funds may be used for one or more of the following: electric energy efficiency, thermal energy and process-fuel efficiency for unregulated fuels, productivity measures, demand management, and energy storage that provides benefits to the customer and its interconnecting utility. This change of policy allows a much broader range of projects than are eligible under the existing ESA, which is limited to electric energy efficiency.

- EVT and the Department of Public Service (DPS) are required to evaluate and verify the savings of each project funded under the pilot program.

- There shall be a competitive solicitation process conducted jointly by EVT, the DPS, and the Agency of Commerce and Community Development. They are required to issue a request for proposals (RFP) for participants and customer selection is to be completed before July 1, 2019.

- There is no limit on the number of participants that may be selected but, the total amount of EEC funds involved shall not exceed $2 million.

- Upon completion of the pilot program, the Public Utility Commission (PUC) or a third party hired by the PUC will conduct an independent evaluation. The PUC will then report to the General Assembly by January 1. 2023 on whether to continue the program and if so under what conditions or revisions, if any.

- The Senate amendment accepted the proposal to establish this Pilot Program and made a few clarifying changes.

    - First, it adds the same definition of "energy productivity" as used in Sec. 1, including the addition of "baseline energy use."

    - It adds language clarifying that a participant must continue to pay their EEC and that they will be eligible to receive up to 100% of the EEC they paid in to be used for projects. It also clarifies that the funds can be withdrawn from the ESA before the completion of the project.

    - In the section that lists the types of projects that funds can be spent on, it adds that the EEC Funds can be spent on natural gas efficiency projects if the participant is a manufacturer that purchased at least 600,000 MCF of natural gas in 2017. (This narrow exception is specific to West Rock.) The definition of "regulated fuel" was added to the definition section because it is used in this section.

- It adds the language "EVT may allocate the cost of the pilot across regulated and unregulated fuel funding sources in a manner that avoids or reduces the need to adjust savings goals approved by the Commission." EVT has energy savings goals set by the Commission. This Pilot Program expands the types of projects that the Funds can be spent on, so this language clarifies that EVT may prioritize projects that will enable them to reach their goals, over other types of projects.

- Adds language to clarify the criteria for how the pilot shall be evaluated after it is completed, specifically the evaluation shall:

  - analyze and compare the following: job creation and retention, energy savings, total energy cost reductions, energy productivity measures, amount of capital applied and leveraged, greenhouse gas reductions, and other criteria as defined by the Commission.

  - study the effects of the pilot on other ratepayers.

  - provide electric system results for the ESA Pilot Program and compare them to the electric system results that would have been obtained had the Customer EEC Funds been expended pursuant to the electric energy efficiency programs otherwise authorized under 30 V.S.A. § 209(d). In this subdivision (2), "electric system results" means: total electric energy savings, total avoided cost of purchasing power, total avoided costs of transmission and distribution improvements, and resulting FCM program revenues.

Sec. 3. Effective Date: July 1, 2018.