Vermont Department of Public Service
Testimony of
Commissioner June E. Tierney
FY 2019 PSD Budget

February 2, 2018

1. **What is your budgeted vs actual spending for SFY17 final and SFY18 BAA by separate appropriation?**

Appropriation	FY'17 Actuals	FY'18 Request	FY'18 YTD (Thru 12/31/17)
21020 – Texas Low-Level Radioactive Waste Compact	$ 78,422	$ 100,000	$ 37,829
21500 – Interdepartmental Transfer Fund	$ 60,033	$ 41,667	$ 34,996
21698 – Gross Receipts Fund	$5,797,469	$7,276,807	$3,584,104
21699 – Billback/EEU	$1,886,130	$2,280,417	$2,264,848
21899 – VTA Construction fund	$1,253,315	$ 166,498	$ 25,361
21991 – Clean Energy Development Fund	$1,314,862	$4,083,440	$ 953,254
22005 – Federal Funds	$ 217,291	$1,182,983	$ 389,038
22040 – ARRA Funds	$ 110,496	$ 0	
22041 – ARRA Revolving Loan Fund	$ 147,894	$1,120,000	$ 141,189
50900 – Purchase of Public Power	$ 9,215	$ 16,560	$ 5,166

2. **Identify all carry forwards and reserves. How did they accumulate?**

Currently, the Department does not have carry-forward or reserves.

3. Do you have any proposed initiatives? New initiatives from last year? Results from those initiatives?

The Department is participating in an initiative to expand the deployment of electric vehicles to promote the electrification of the transportation sector. The Department, working with sister agencies (e.g., AOT, ANR) seeks to address a broad range of issues related to electric vehicles deployment and integration with the electric grid. The range of issues includes electric utility planning for electric vehicles, innovations in rate design that will both spur and encourage effective charging of EVs, consideration of approaches to replacing transportation fund fees that are potentially adverse to state infrastructure, and a broad range of issues related to deploying charging infrastructure for electric vehicles.

A related and overlapping issue of rate design is incentives for spurring the development of new loads, distributed generation, and storage technologies for better and more cost-effective operation of the distribution system. The Department expects to continue its engagement with Vermont utilities, focusing on Vermont's largest electric utility, GMP, which is currently scheduled to deliver a fully allocated cost-of-service and plan for rate design in early 2018.

A third issue relates to long range planning of the distribution and sub-transmission system. The distribution system is increasingly stressed by the introduction of higher penetration of distributed generation and new flexible loads associated with electric vehicles, storage batteries in garages for added resilience, heat pump water heaters, and cold climate heat pumps, to name a few. The challenge going forward will be to integrate these technologies into a smarter grid. Planning the system and then paying for it is a challenge for all as multiple parties are both responsible for challenges and providing solutions.

Fourth, the Department expects to work with its largest investor owned utilities, who are interested in obtaining authorization from the Public Utility Commission to be rate-regulated pursuant to multi-year rate plans.

4. **Update on existing programs. Identify successes and failures (failed to meet expectations) and why did it succeed or fail.**

Detailed below are some of the Department's program successes for 2017. These activities succeeded because of the hard work and dedication of an expert, experienced staff that is dedicated to public interest work and that consistently produces thoughtful analysis and creatively crafts effective public policy solutions to address the energy and telecommunications needs of Vermonters.

- Non-traditional regulation – The Department successfully petitioned the Public Utility Commission to undertake a policy development process to examine new and innovative forms of utility regulation under Vermont's alternative regulation statute.

- Heat saver loans – The Department completed the Heat Saver Loan pilot and successfully transitioned the program to administration by Efficiency Vermont. This program helps Vermont homeowners of modest means overcome upfront costs to upgrade home energy performance and equipment.

- Consumer protection program – The consumer affairs unit of the PSD (CAPI) fielded thousands of calls from Vermonters with various types of questions or concerns about their utilities in Vermont. CAPI helped hundreds of people with pending disconnections to make payment arrangements, answered questions about Public Utility Commission process and rules, helped many people save money, investigated more than a thousand consumer complaints.

- Energy Efficiency Demand resource proceeding – The Department provided technical support and ratepayer advocacy and related planning necessary to establish a new set of program targets and budgets for the three-year planning cycle that begin in 2018 and ends in 2020.

- Distributed resources – The Department provided technical support and ratepayer advocacy related to programs implemented by third-party independent developers and utilities dealing with distributed generation, including net metering, standard offer program services, and utility petitions for project siting or construction approvals under Section 248. The success associated with some of these programs is creating new pressures on utility distribution systems that will require modification to programs in 2018 and beyond.

- Act 174 regional planning – The Department completed and issued four certification decisions regarding the compliance of regional energy plans with planning standards established pursuant to recent statutory changes that provide regions and communities with a stronger voice in guiding their own energy futures.

- CPG Complaint Protocol – The Department designed, implemented and trained employees to administer a new complaint investigation and resolution process to serve Vermonters with concerns about whether or not holders of certificates of public good for generation and cell tower projects are following the terms and conditions of their permits issued by the Public Utility Commission.

- Low-income energy assistance program improvements – The Department advocated for improvements to low income assistance programs such as the Energy Assistance Program at GMP, Low Income Assistance Program at VGS and the Lifeline telephone discount program that will contribute to greater effectiveness in the administration of these programs.

- FairPoint consolidated merger programs for vulnerable households – The Department successfully advocated for service prioritization following outages for medically vulnerable households.

- In 2017, in consultation with the Broadband Connectivity Advisory Board, the Department awarded $547, 500 in grants (funded by proceeds from the Vermont Universal Service Fund) to reach 307 underserved addresses with high speed internet service in the following hard-to-reach locations: Cavendish, Reading/Woodstock, Royalton, Randolph, Whitingham, and Stockbridge.

- Pilot program performance review and oversight – The Department successfully advocated for reports detailing progress and outcomes of GMP innovative energy pilots that include information about whether customer's goals are met.

- Improvements to electronic data and file management –
    - Unified electronic file management system – The public advocacy division of the Department completed a new unified electronic file management system design to improve the efficiency and effectively of case management and handling that works seamlessly with the PUC's ePUC case management system.
    - Modernized consumer complaint database – Implemented a new database for recording consumer complaints, trained and transitioned the CAPI team to use this new tool.

5. What challenges have you identified? What actions are you taking?

The Department launched a generic investigation into non-traditional forms of regulation (aka alternative regulation authorized under 30 VSA 218d). The PUC is now in the late stages of deliberation and we expect a guidance in the form of the decision in the coming weeks or months.

There are challenges associated with the export capabilities of Vermont's electric utilities known as the Sheffield-Highgate Export Interface (SHEI). The SHEI region presents economic challenges to developers of renewable generation, including Vermont utilities. The topic is being studies and options considered. Leadership on the topic is coming from VELCO, with the Department playing a supporting role through its engagements with the utilities in the Vermont System Planning Commission process.

6. What are implications of level funding, positive or negative?

The Implications of level-funding are that the Department is maintaining its existing operations while it determines whether and how it can reconfigure and streamline operations to adjust to its declining revenues environment. (See answer 1 to question 9 below). All the Department's resources are currently allocated, leaving no funds to budget for new initiatives or additional statutory programs or requirements.

7. What work, or initiatives or drawdown of federal dollars are not happening or getting done?

The Department draws down federal dollars on a reimbursement basis. All dollars that we are eligible to draw done are drawn.

8. Do existing programs best address the pressures and priorities of the agency/department or should other alternatives be considered? What data supports this?

Vermont utilities may need to explore innovations related to long-range planning known as integrated resource planning. Long-range planning currently centers on meeting the state's electric energy needs by focusing on the requirements for large central station generation and public power purchase contracts. The major challenges looking forward will increasingly be in finding solutions to meeting increasing demands on our distribution system from distributed generation and new loads. This may lead to innovations in planning and pricing/incentives solutions. It may also require greater utility emphasis on investments in intelligent grid technology that enable real-time monitoring and control of the system. Failure to get ahead of these challenges poses the significant risk of poor investment choices being made by utilities in the electricity distribution system. The challenges are readily observed by looking at the GMP Solar Map and the VSPC SHEI resources and materials online.

9. Identify existing problems. What is the root causes of each? What is your suggestion to address the problem in an efficient and effective way?

1) Decreasing revenues in the Department's main operating (Gross Receipts) fund. – The cause of this is due to factors such as the robust pace of net-metering energy generation, declining energy usage (whether through conservation, efficiency, or other causes such as business closures). This means the costs to operate the Department, including staff costs, increase without offsetting revenue increases. The Department has looked closely at its costs and has made reductions in spending where possible while continuing to carry the same work load that the Department has historically performed.

2) The electric grid, on the regional and state level, is becoming increasingly complex while available resources are declining. Costs incurred due to regional transmission expansion and utility investment in rate base and New England electricity markets are creating cost pressures for ratepayers. Achieving the 90% renewable by 2050 goal requires electrification of the transportation and heating sectors; this can help offset some of the declining revenue from gross receipts but requires significant staff resources to pursue policies that ensure least cost implementation of electrification measures.