

Update on Public Utility Commission Activities

February 4, 2019

What is the Commission?

The Public Utility Commission (“Commission” or “PUC”) is an independent, quasi-judicial agency funded entirely by a gross receipts tax on Vermont utilities (no general fund monies). We supervise the rates, quality of service, and overall financial management of Vermont’s public utilities: electric, gas, energy efficiency, telecommunications, cable television (terms of service only, not rates), water, and large wastewater companies. The PUC also reviews requests for certificates of public good, or CPGs, authorizing the construction of electric transmission, natural gas transmission and electric generation facilities of all sizes (including net-metered electric generation facilities), and wireless telecommunications towers.

The Commission is assisted by 16 hearing officers, who hear smaller cases directly and assist the three Commissioners in larger cases, along with seven administrative staff. We are also in the process of hiring a solar net-metering program manager.

Under Vermont law, the PUC hears most cases under “contested case,” or court-like, procedures. We also use more informal processes, particularly when implementing policy directives from the Legislature, and we adopt rules pursuant to the Administrative Procedures Act.

FY18 Actual Spending compared to FY19 Budget and FY20 Proposed Budget

- FY18 actual spending was \$3,647,977.50 (this includes amounts that were billed back)
- FY19 budget is \$3,700,815, only a 1.45% increase
 - The Commission is not affected by the FY19 budget adjustment act
- FY20 proposed budget is \$3,757,500, only a 1.5% increase
 - No new initiatives are included in the FY20 proposed budget
 - FY20 proposed budget includes significant cuts in contracts

Budget Challenges

- Upward pressures
 - Because the Commission does not receive any general funds, we must self-fund our salary and benefit increases. This is particularly significant because salaries and benefits are 85.4% of the Commission’s budget.
 - Increases in internal service costs, which are an additional 7.8% of the Commission’s budget
- Pressures not addressed in proposed budget
 - Commission’s current multi-year contracts related to the Commission’s online filing and case management system known as ePUC expire in 2018; costs of the replacement contracts are not yet known

- Gross receipts tax revenues have declined between 2016 and 2018 by 2.6% or roughly 1.3% annually
 - Starting in FY17 the Commission’s actual expenditures each year have exceeded gross receipts tax revenues; this situation is projected to continue in FY20

Reserve

- The Commission has accumulated its reserve as a result of prudent financial management over the years and other contributing factors:
 - Mandatory salary freezes starting in 2008 and pay cuts starting in 2009
 - Mandatory position reductions in 2009
 - Federal stimulus grant (ARRA) that funded three staff for four years
- The purpose of the reserve is to enable the Commission to absorb changes in gross receipts tax collections over time
- Since FY17, the Commission has used the reserve to make up funding shortfalls (approximately \$25,000 in FY17 and \$100,000 in FY18; projected to be approximately \$127,000 in FY19 and \$180,000 in FY20)
- The Commission anticipates continuing to use its reserve to make up any funding shortfalls until gross receipts tax revenues increase as a result of, for example, strategic electrification (electric vehicles, heat pumps, etc.)
- Commission’s reserve balance as of June 30, 2018, was approximately \$4.4 million
- Note that for many years both the Commission and the Department of Public Service had a reserve
 - In some years, including as recently as the end of FY12, the Department’s reserve was larger than the Commission’s
 - Department’s reserve balance as of 6/30/12 = \$2,786,273
 - Commission’s reserve balance as of 6/30/12 = \$2,206,824

Gross Receipts Tax Split

- The Commission strongly recommends no change to the current statutory 60/40 split of gross receipts tax revenues between the Department of Public Service and the Commission
- As the Department’s report on sustainable funding for the Commission and the Department notes, “Neither agency appears to be adequately funded on a going-forward basis.” (Sustainable Funding for the PUC and PSD at p. 34)
- The Commission strongly agrees with the statement in the October 8, 2018, public draft of the Department’s funding report that “**Adjusting the split at best would be a temporary expedient.** Thus, rather than adjusting the relative split between the funds, it would make more sense in the long term to ensure that (1) each agency is well-funded relative to its regulatory responsibilities . . .” (October 8, 2018, draft funding report at p. 35, emphasis added)

Department’s Recommended Application Fee

- Commission agrees in principle with assessing an application fee on people and companies that do not pay the gross receipts tax

- Addresses a funding inequity because more than 50% of the Commission's work is now performed on behalf of people and companies that do not pay the gross receipts tax
- For example, net-metering projects:
 - Applications over the last 5 years increased each year from 925 in FY13 to 3,271 in FY18
 - Total capacity of the net-metering projects applied for in FY18 was the highest yet at over 71,000 kW
 - Note: During these years the Commission reduced the incentives provided to net-metering projects twice, yet the number of applications continued to increase
- Fee should be assessed on any company or person proposing to build a generation project that does not pay the gross receipts tax
- There should also be a fee assessed when amendments are proposed
- Revenues from the fee should be split 60/40 between the Department and the Commission (same as historic split for revenues from gross receipts tax)
- However, Department's proposed fee is based solely on the size (capacity) of a project; some larger projects are eligible for streamlined review processes
- An alternative fee structure could be based on the type of application process used
 - Projects eligible to use the simple net-metering registration form or the application form (rooftop projects with a capacity of 500 kW or less, ground-mounted projects with a capacity of 50 kW or less) = \$100
 - All other projects = \$5/kW
 - Amendments to all projects = \$25 for projects that initially used the net-metering registration form or application form, \$100 for all other projects

Commission's Workload and Performance

- How much did we do in FY18?
 - More than 3,900 new cases were filed with the Commission
 - More than 12,700 filings were made in ePUC (the Commission's online filing and case management system)
 - More than 20,100 documents were filed with the Commission
 - 123 hearings and workshops were held
 - More than 1,356 orders and certificates of public good were issued and more than 2,400 net-metering registration certificates of public good were issued
- How well did we do it?
 - Percent of cases disposed of or otherwise resolved within established timeframes – 95%
 - Percent of public inquiries and information requests satisfied within established timeframes – 95%
 - Percent of consumer complaints about utility service resolved using simplified, accessible procedures – 100%

Major policy-related steps in 2018

- Implementation of second and third phases of ePUC
 - More than 95% of parties in cases before the Commission choose to participate using ePUC
 - Feedback from stakeholders has been very positive
 - Filing online is much easier than providing paper copies to the Commission and all parties
 - Easier to find information about Commission cases, including documents filed by parties and issued by the Commission
 - Approximately 20% of filings made in ePUC were made by other State agencies; online filing saves them time and resources
 - Reduction in administrative tasks associated with processing paper filings and maintaining logs of those filings enabled the Commission to reclassify an administrative staff position to a solar net-metering program manager to help the Commission handle the significant increase in workload associated with the increasing number of net-metering cases
 - Commission regularly implements improvements to ePUC in response to suggestions by stakeholders
- Continued implementation of recommendations from Act 174 Working Group on “Increasing Ease of Citizen Participation in PUC Proceedings”
 - Commission issued three new guidance documents to help people who are not represented by lawyers participate in Commission proceedings
 - Ongoing work with stakeholders regarding implementing a mediation pilot program
 - Continuing to work on updating our hearing room to allow live streaming of hearings
- Provided recommendations to legislature on issues related to the Commission’s and Department’s jurisdiction regarding electric vehicle charging stations
- Biennial update of rates for net-metering projects
- Second compliance year of the Renewable Energy Standard

Major cases in 2018

- Green Mountain Power (GMP) and Vermont Gas Systems (VGS) rate cases
- GMP rate design case
- Sale and planned decommissioning of Vermont Yankee nuclear power station
- Several petitions from GMP for approximately 5 MW solar facilities with 2 MW battery storage
- Three petitions for battery storage facilities of approximately 1 MW, 2 MW and 5 MW

Ongoing and expected cases

- Investigation into promoting electric vehicles and electrification of the transportation sector (regulatory role, objectives)
- Budgets, goals, and demand resources plans for the 3 energy efficiency utilities
- Proposed sale of Burlington Telecom

- GMP multi-year regulation plan
- GMP integrated resource plan
- Ongoing implementation of the Renewable Energy Standard, including the development of an administrative rule governing the Standard
- Reviews of alternative regulation, standard-offer program, regulation of energy efficiency utilities
- Continuous review of requests for approval of smaller electric generation facilities – e.g., 3,271 net-metering cases in FY18
- Continuous review of wireless telecommunications towers – 156 in FY18