

Update on Public Utility Commission Activities

April 9, 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 have also just hired 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 2019; costs of the replacement contracts are not yet known

Gross Receipts Tax

- 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; under current gross receipts tax rates, this situation is projected to continue in FY20
- Commission supports the proposed increase in the gross receipts tax rate for electric and natural gas utilities
 - These are the areas in which the Commission's workload has grown
- Commission supports setting separate gross receipts tax rates for the Commission and the Department of Public Service as provided in the version of H.542 that passed the House

Proposed Application Fee

- Commission supports 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

Reserve

- 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, if gross receipts tax rates are not changed, \$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 was approximately \$4.4 million as of June 30, 2018
- 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
- While the Commission would prefer not to use part of its reserve to eliminate the Department of Public Service's negative special fund reserve balance at the end of FY19, the Commission understands that this is part of the proposed funding solution for the two agencies and does not oppose this one-time transfer of ratepayer funds to another agency that is also ratepayer-funded

Commission's Concerns with Section E.326.1 of H.542

- The Commission recommends that this section be deleted from the bill
- The first we learned of this section was after it passed the House; we did not have the opportunity to review it or to offer testimony on it
- Section (a) would take \$250,000 of monies that were collected from electric ratepayers to pay for thermal and process fuel efficiency for unregulated fuels
 - It is a long-standing State policy that monies collected from electric utility ratepayers should not be used for non-electric purposes
 - Changing this State policy should not be done without the Legislature first hearing from all stakeholders
 - The Commission strongly agrees that additional appropriations are needed to increase access for Vermonters with low to moderate incomes who are seeking weatherization services and we support the Legislature's goal of identifying appropriate funding sources
- Section (b) requires the Commission and Efficiency Vermont to report to the Legislature on how the use of the Electric Efficiency Fund can be expanded to deploy additional thermal and transportation efficiency programs and what legislative changes, if any, are needed
 - The Commission regulates Efficiency Vermont; it would be inappropriate for us to jointly prepare a report to the Legislature
 - The Commission would be open to convening a policy discussion and reporting to the Legislature on the pertinent questions in Section (b)

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