VPPSA Comments on An act relating to energy efficiency entities

General Position – VPPSA could support this committee bill provided that it is modified to ensure:

1) There is no increase in the Efficiency Vermont budget in the upcoming performance period (2021-2023)

2) Equitable spending in each distribution utility's (DU) service territory in proportion with Energy Efficiency Charge revenue collected from each DU's customers.

Utility Equity and Local Control -

- If carbon reduction at the lowest cost becomes primary goal, statewide ratepayer financial benefit will be eroded.
- Going after most cost-effective GHG reductions is not likely to result in equitable expenditures.
  - Most cost-effective carbon reductions are likely large projects in the C&I sector.
  - **The likely impact will be that those who are least able to do so will end up footing the bill for meeting our climate goals.**
- Electrification may result in carbon reduction benefits but likely won't bring financial benefits to ratepayers *outside* of the host utility's service territory.
- Some cross-subsidy or reduction in ratepayer benefit may be justified in order to act swiftly to mitigate climate change.
  - This cost-shift is *only acceptable* if there are safeguards to help mitigate impact on residential, and specifically heavily burdened, customers.
  - Some portion of EEC revenue should be returned to the community from which it was collected.
- Utility equity in EEC spending will help ensure that EEU services are delivered in coordination with DUs' Tier 3 programs.
  - Increased local control over spending will result in better coordinated service delivery for VT communities.
  - A DU specific spending requirements will lead to joint, rather than competitive, programs.
- 209 d) 2 A) states that Commission can determine that EEU service delivery satisfies DUs' obligation under 218c to offer energy efficiency programs. This obligation cannot be effectively satisfied without adequate spending in each DU's territory.

Suggested Language -

Sec. 1 (c) "*Funds collected through the Energy Efficiency Charge are expended in each distribution utility territory in proportion to the funds collected in that territory;*

Sec. 1 (a) (5) *"Shall not result in claiming savings for a measure that a DU elects to offer under its Tier 3 programs delivered pursuant to 8005 (a) (3)."*

Alternately, authorize VPPSA as an Energy Savings Account Pilot participant.

Policy Considerations –

- Need for this legislation remains unclear.
- What does this bill allow EVT to do that it isn't allowed currently?
  - EVT has already proposed a GHG reduction metric in the DRP.
  - EVT can already use EEC funds to support heat pumps currently under 209(d)(3)(C).
  - EVT can use EEC funds to weatherize homes heated with heat pumps (electricity).
  - Upstream support for electrical vehicles is the identified short-term need.

- Conversely, **what EVT services would be sacrificed** in the coming performance period if this legislation is passed?
  - Redoing the DRP at this point would use up more EEC dollars.

Precedent –

- VPPSA has serious reservations about the precedent of using ratepayer dollars *without ratepayer benefit.*
- Even if it is temporary, the bill represents a drastic expansion of scope for EVT.
  - Presupposes that EVT should be service provider for expanded thermal and transportation services. This should not be a foregone conclusion; there should be a process to identify best-suited service providers.
- This proposal sets the groundwork for a much expanded EVT budget after 3 years.

Potential Guardrails –

- Limit expansion of scope to Electric Vehicle market development.
  - Transportation upstream support was identified as the "gap" that needs to be filled in the short-term.
    - There appeared to be consensus on this point.
    - Consistent with PUC recommendation.
  - Limit EEC expenditures in magnitude as well as duration.
    - EEC collected on EV charging. ($120/year – $1M to spur the EV market)
  - How do we ensure this is incremental to what DUs are doing in Tier 3?
- Limit the amount of EEC funds that can be used for GHG reductions (dollar threshold or percent of budget.)
- Narrow "notwithstanding" language. Which elements of 209 (d) should remain in effect?

Relationship to Tier 3 -

- DUs are already supporting fossil fuel reductions under Tier 3.
  - How do we ensure there is not duplication/competition?
  - **DU equity will help minimize competition with Tier 3 because programs will need to be coordinated (the way they are for BED).**