Public Utility Commission on S.65

Senate Finance

March 19, 2025

Ed McNamara, Chair

Intro to Public Utility Commission

- Independent quasi-judicial body
- Three Commissioners, appointed for staggered six-year terms, confirmed by Senate
- Distinct from Department of Public Service, which represents public interest before PUC
- Regulates monopoly utilities including Energy Efficiency Utilities

Context

Purpose of Energy Efficiency Utilities

- Established in 2000
- 30 V.S.A. § 218c requires utilities provide service to customers at least-cost, including environmental/GHG emissions
  - Utilities prepare Integrated Resource Plans every three years to demonstrate compliance
- Energy efficiency is typically the lowest cost resource
- Electric utilities have historically had disincentive to reduce kWh sales through energy efficiency
- Third-party EEU tasked with achieving all reasonably available cost-effective energy efficiency

Funding for EEUs

- By statute, budget must be set to achieve all “reasonably available cost-effective energy efficiency savings”
- Energy Efficiency Charge is set to achieve the budget amount
  - Formulaic process, similar to electric rates
  - EEC appears as a separate line item on the bill
- Electric efficiency work is funded through EEC
- Thermal efficiency work is funded through
  - Regional Greenhouse Gas Initiative auction revenues
  - ISO-NE Forward Capacity Market revenues
  - For Vermont Gas, thermal efficiency provided through EEC

PUC Concerns with S.65

Timing of S.65

- S.65 represents a fundamental change to a 25-year old model that has served Vermonters well
- Change can be positive but should not be done quickly and with practically no analysis

S.65 would Increase Electric Bills

- Energy efficiency reduces the cost of electric service consistent with least-cost planning requirement
  - Efficiency is typically the lowest cost resource and EEUs are required to obtain all reasonably available cost-effective energy efficiency
- Diverting EEC to electrification reduces $ used for energy efficiency
- kWh otherwise saved from efficiency needs to be met through higher cost generation

S.65 Duplicates Work of Monopolies

- S.65 tasks another regulated monopoly with doing the same electrification work as the electric utilities
- Because electric utilities have least-cost requirement, if EEU is not providing all cost-effective energy efficiency resources, utilities may need to do their own efficiency programs
- S.65 results in ratepayers paying two different utilities for similar efforts – potentially both electrification and energy efficiency

S.65 Duplicates Low-Income Energy Efforts

- The 5 regional Community Action Agencies and associated weatherization assistance providers have played a critical role in serving Vermonters with low income for decades
- S.65 requires 25% of annual EEU budget be targeted for low-income customers, including providing weatherization
  - Section 209(d)(8) [p. 14, lines 1-12]
- We have a strong existing system that needs stable funding
- We don’t need to duplicate efforts with associated inefficiencies and costs to Vermonters

S.65 Fundamentally Changes Energy Efficiency Charge

- Energy Efficiency Charge becomes a tax to fund decarbonization instead of funding mechanism for provision of energy services
- Every report on reducing GHG emissions in the thermal sector recommends funds come from the fuels you’re trying to reduce
- Encouraging people to electrify their heating and transportation while simultaneously increasing the cost of electricity doesn’t make sense
  - Basic economic principle – tax the “bad” and incentivize the “good”
  - S.65 is a tax on the “good”

S.65 and the EEUs' Budgets

- Section 209(d)(2)(D) [p.7, lines 7-9] sets future revenues from the Energy Efficiency Charge at 2026 levels, adjusted for inflation
    - Appears to be in perpetuity and removes PUC discretion
- Section 209(d)(3) [p.7, lines 10-17] establishes the factors used by PUC to set the EEC, including prioritizing GHG reductions
- Section 209(d)(5)(A) [p.8, lines 3-7] requires the PUC to set a budget consistent with least-cost planning
- Section 209(d)(5)(A) [p.8, lines 11-15] requires the PUC the set a budget prioritizing reduction of greenhouse gases
- Section 209(d)(4) [pp5-6] as written applies to all EEUs and appears to divert RGGI and FCM funds away from Efficiency Vermont and Burlington Electric's efficiency programs and to Vermont Gas's efficiency programs