

Overview of Public Utility Commission

PRESENTED TO SENATE NATURAL RESOURCES & ENERGY

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PUC Structure

Context

Each state has some version of a Public Utility Commission

- Structure, jurisdiction, and name vary

Underlying concept is that monopoly utilities need to be regulated to promote the public interest

- Railroads and grain silos
- Regulation is meant to serve as a counterweight where competition does not exist

PUCs evolved to take on broader, non-economic policy issues involving utilities

Main difference with other states is Vermont PUC's role in siting all electric generation

Personnel

Three Commissioners

- Staggered, six-year terms
- Review by Judicial Nominating Committee; Appointed by Governor; confirmed by Senate

Clerk

- Responsible for communicating with parties in cases
- Deputy Clerk and three administrative staff

Hearing Officers

- Hear majority of cases
- 8 Attorneys and 7 Analysts

Director of Operations and Business Manager

Funding

Gross Receipts Tax

- Paid by companies regulated by the PUC
- Represents 93% of PUC budget

Application fees

- Paid by developers of generation and storage
- Represents 6% of PUC budget

Billback

- Paid by specific petitioners to reflect specific costs
- Represents less than 1% of PUC budget

All of these funding streams fluctuate based on revenue of utility and number/type of applications

What's the difference between PUC and DPS?

Public Utility Commission

Quasi-judicial body

Independent

Adjudicative: Decision-making authority in utility regulatory cases

Legislative: Implements new policy when directed by Legislature

Citizens participate in proceedings before the PUC

Department of Public Service

Executive branch agency

Represents public interest in proceedings before the Commission

Long-term energy and telecommunications planning for the State

Works with customers to resolve complaints about utilities (Consumer Affairs & Public Information division)

Interacts with U.S. Department of Energy

Scope of PUC Regulation

Electric Regulation – State v. Federal

State (PUC)

Retail rates (prices paid by end-use customers)

Distribution planning

Siting generation and transmission infrastructure

Generation portfolio

Federal (FERC)

- Wholesale rates (prices paid by electric utility)
- Transmission planning
- Transmission costs
- Prices paid to generation (with some exceptions)

Limited ability to set prices for generation

Generally, rates paid to generation facilities is regulated by Federal Energy Regulatory Commission

- In New England, prices are generally set by a wholesale electricity market administered by ISO-NE
- FERC has authority over the market rules

Two allowed exceptions

- Net metering – theoretically the generation is being offset by customer usage and is therefore intrastate
- Qualifying Facilities – Under PURPA, PUC has some authority to set avoided cost rates for renewable generation under 20 MW

Electric

Electric utility tariffs – spell out the terms of service and rates for the customers who take service under that tariff

- Rates paid by end-use customers
- Net metering rates

Siting of generation, transmission, and large-scale battery storage

Interconnection of generation and large-scale battery storage

Provision of energy efficiency services

Ensuring compliance with Renewable Energy Standard

Integrated resource planning

Disconnection rules

Natural Gas

VGS tariffs – spell out the terms of service and rates for the customers who take service under that tariff

Rates paid by end-use customers

Integrated resource planning

Provision of energy efficiency services

Disconnection of service

Siting of new intrastate transmission pipeline and associated facilities

Telecommunications

Limited regulation of intrastate rates

Service quality, including outage and repair times

Designation of Eligible Telecommunications Companies

- Allows companies to receive federal Universal Service Fund support and access federal Lifeline program

Siting cell towers

PUC has limited regulation of wireless providers, broadband, or internet service providers

- Reflects federal regulation of these services

Cable Television

Issues cable television franchises under the Federal Cable Act

Service quality

Disconnection requirements

The PUC sets funding, technical, and system capacity requirements for the provision of Public Education and Governmental ("PEG") channels

The PUC does not regulate cable television rates or channel offerings to consumers.

The PUC does not regulate satellite television or “over the top” television offered by online providers, such as Sling and YouTube TV.

Water systems

PUC only regulates private water systems

- Municipal systems and fire districts are exempted from regulation

Rate regulation only

Agency of Natural Resources has authority over much of the operational characteristics of water systems

General Principles

Least-Cost Planning

Ensure safety and reliability are met

Meet need for energy services at the lowest cost, including environmental costs

Requires integrated resource planning by electric and natural gas utilities

Must look at all reasonably available resources (energy efficiency, load management, new generation, etc.)

Prices Should Reflect Costs

Electric and other monopoly utilities have “captive” customers

- Generally unrealistic to switch to another provider

Rates paid by captive customers should reflect the costs to serve those customers

Societal benefits associated with delivery of that service can be paid for by rates

- E.g., costs associated with Renewable Energy Standard should be included in electric rates

Utilities must have the opportunity to recover all reasonably incurred costs from customers

Cost Causer Pays

Whoever adds costs to the system must pay the costs

Infrastructure upgrade costs

- Line extensions for remote homes
- Transformer upgrades necessary for specific business

Generally, revenues from increased electric load are greater than the costs of the upgrade and therefore costs are socialized

PUC Proceedings

Potential parties to a case

Automatic parties: applicant/petitioner, DPS, ANR (in siting cases), AAFM (in some siting cases)

Intervenors: all parties other than automatic parties

Municipalities and regional planning commissions: receive advance, pre-filing notice of siting projects; statutory right to party status in siting cases; if do not want to be a party, can file public comments

Adjoining landowners: receive advance, pre-filing notice of certain projects; receive notice of the filing of a petition for siting projects; can file public comments or motion to intervene to participate as a party

Members of the public: can file public comments or motion to intervene to participate as a party

Types of Commission proceedings

Contested cases (formal, court-like processes, parties have opportunity for evidentiary hearing, decisions based on sworn evidence)

- Ex parte discussions prohibited

Uncontested cases (more informal processes such as workshops and written comments)

Rulemakings (e.g., Clean Heat Standard, interconnection, net-metering, RES, etc.; typically 18-month process with built-in opportunities for public comment and attendance at public hearings)

Siting

Projects must promote the public good of the State of Vermont

Review consists of environmental and aesthetic impacts, impact on electric system, for some projects the impact on ratepayers

Process and criteria were primarily developed when all projects were built by utilities

Small-scale renewable generation is conditionally exempt from some criteria

- E.g., Need for project, economic benefit, etc.

Range of energy siting proceedings

“Full” Section 248 proceedings (large projects)

Streamlined proceedings (projects of “limited size and scope” – Section 248(j), 248(k))

Modified review that waives certain criteria – Section 8007(a) for renewables 150 kW and smaller; Section 8007(b) for 150 kW to 2.2 MW

Net-metering rules provide a range of pathways depending on project size and complexity – simple 10-day “registration” or “application” process with potential for hearing

Energy Efficiency Utilities

Purpose of the EEUs is to provide cost-effective energy efficiency that reduces the cost of providing service

Efficiency Vermont, Vermont Gas, and Burlington Electric Dept.

Funded through Energy Efficiency Charge

- Adjusted annually to reflect budget and any necessary true-ups to reflect annual variation in electric or natural gas sales

Every three years, PUC conducts Demand Resources Proceeding

- Reviews potential study to determine all cost-effective energy efficiency
- PUC sets budget and Quantitative Performance Indicators

Three-year cycle for budget and QPIs

Regular reporting during the cycle

Rate Cases

Rates paid by customers must be “just and reasonable”

Different customer classes pay prices that reflect the cost of serving that class of customers

- Historically: residential, commercial, industrial
- Recently: Flexible and managed loads (e.g., electric vehicle rates)

Generally, utilities are regulated under traditional model or alternative regulation

- Traditional: utility comes in for rate increase when necessary
- Alternative regulation: rates adjust on quarterly basis to reflect more real time costs

Rate cases are generally resource intensive and expensive

Rulemakings

PUC has broad authority to initiate rulemaking

- Current rules include: Notice and filing requirements re: siting; disconnection requirements; calculation of energy efficiency charge, etc.

Process must follow the Administrative Procedures Act and Secretary of State requirements

- Including Interagency Committee on Administrative Rules and Legislative Committee on Administrative Rules

Thank you!

<https://puc.vermont.gov>

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