

PSD Verification of Vermont Gas Systems 2019 Energy Efficiency Savings Claim

Executive Summary

Introduction

The Department of Public Service has completed its annual verification of the savings claims and evaluation of the performance of VGS energy efficiency programs for 2019, the second year of its three-year performance period. The PUC, in its October 12, 2017 order, established the three-year performance goals for VGS and the other energy efficiency utilities (EEUs). An independent third-party evaluation and the Department's review of the VGS EEU's 2019 performance and results has verified that VGS has made satisfactory progress toward achieving the six quantifiable performance indicators (QPIs) set by the PUC. The Department has also found that VGS has made satisfactory progress toward all minimum performance requirements (MPRs) and other non-quantifiable obligations described in VGS' *Order of Appointment*.

As evidenced by high realization rates (the percentage of claimed energy savings that can be verified) VGS has shown noticeable improvements in program implementation and savings estimation. For the Residential sector the realization rate was 96% and the Commercial and Industrial (C&I) sector realization rate was 94.5%. The Department has also compared spending to the progress toward these goals and found that the spending by VGS on EEU activities during 2019 was appropriate and proportional to the goals set by the PUC. These and other findings in the Savings Verification report have given the Department confidence that VGS is on track to achieve all its three-year performance metrics within budget.

Quantifiable Performance Indicators

VGS is responsible for meeting five Quantifiable Performance Indicators (QPI) and seven Minimum Performance Requirements (MPR) ordered by the PUC for the 2018 to 2020 performance period. After review, the Department found that VGS made satisfactory progress in 2019 toward meeting the PUC-ordered QPI targets for the three-year Performance Period. VGS' achievements regarding QPIs #1 through #4 are summarized in the table below.

QPIs #1 through #4 – 2019 Verified Performance vs. 2018-2020 Performance Period Goals

QPI #	Title	Performance Indicator	2018-2020 Three-Year Target	PY 2018 Achieved	PY 2019 Achieved	Achieved vs. Three- Year Target
1	Natural Gas Savings	Annual incremental net Mcf savings	195,827	62,508	59,404	62%
2	Lifetime Natural Gas Savings	a. Present worth of lifetime natural gas avoided costs	\$34,465,931	\$13,148,371	\$ 11,580,667	72%
		b. Lifetime Mcf savings	3,248,764	1,179,274	1,149,705	72%

3	Peak Day Natural Gas Savings	Peak day incremental Mcf savings	913	432	513	103%
4	Residential Single-Family Comprehensiveness	a. Percent of home energy audits converted to a measure installation within 12 months	30%	43%	36%	131%
		b. Average percentage of auditor-recommended cost-effective measures that are installed by the customer within 12 months	70%	84%	85%	120%

Minimum Performance Requirements

VGS is also responsible for meeting certain Minimum Performance Requirements (MPR) for the three-year Performance Period as described in the Table below. The Department's review has shown that VGS is on track to meet each of these MPRs. VGS did fall short in one facet of MPR #6, Business Comprehensiveness of Savings, installing only 7% control-related measures at commercial customers, while the MPR requires 10%. The Department will monitor the status of this metric and work with VGS to improve performance in the final year of the performance period.

PY 2019 Performance vs. 2018-20 Three-Year Minimum Performance Requirements

MPR #	Title	Performance Indicator	2018-2020 Three-Year Requirement	2018 Verified Performance	2019 Verified Performance	Performance vs. Requirement
5	Long-term Market Transformation	Offer energy efficiency training for contractors.	One per year	One Completed	One Completed	Satisfactory
6	Business Comprehensive-ness of Savings	Diversity of measures implemented in commercial retrofit projects	A minimum 10% control-related, 20% heating systems, heat recovery or domestic hot water systems, 10% process-related and 30% shell or other-related measures installed during the prior 12 months	9% control-related, 48% heating systems, heat recovery or domestic hot water systems, 9% process-related and 34% shell or other-related measures installed	7% control-related, 53% heating systems, heat recovery or domestic hot water systems, 12% process-related and 28% shell or other-related	Satisfactory, except for the proportion of control-related measures, which needs to be increased.
7	Minimum Natural Gas Benefits (Equity for All Natural Gas Ratepayers)	Total natural gas energy efficiency benefits divided by total utility costs	Equal or greater than 1.2 cost benefit ratio	4.92	4.18	Significantly better than requirement
8	Equity for Residential Ratepayers	A minimum level of overall efficiency efforts, as reflected in spending, will be dedicated to residential customers	\$ 4,291,087	\$ 2,062,568	\$ 2,152,752	98% of 3-year requirement
9	Equity for Low-income Customers	A minimum level of overall efficiency efforts, as reflected in spending, will be dedicated to Low-income customers	\$ 116,472	\$ 102,332	\$ 90,323	165% of 3-year requirement

10	Equity for Small Business Customers	Percent of commercial (non-residential) installed end uses that are classified as Rate G1 or G2 (use 600 Mcf/yr. or less)	30%	44%	53%	Significantly better than requirement
11	Administrative Efficiency	Meet determined milestones on schedule, including: * Defining all Administrative costs, incentive and other costs. * By July 31, 2018, submit a proposal on how these costs will be tracked and reported, including a metric on the ratio of incentive costs to non-incentive costs and total administrative costs as a percent of total budget for the current performance period.	Track the ratio of incentive to non-incentive costs and report as a percent of total budget by July 31, 2018	Reported	-	Achieved
12	Total Resource Benefits	In consultation with the Department, file a status update on the feasibility and cost/benefit analysis of tracking water and delivered fuel resource benefits	Status update by July 31, 2018	Status update filed June 28, 2019	-	Achieved
13	Addison County Aggressive DSM	Meet minimum energy efficiency program participation rate for customers in Addison County	Achieve 30% energy efficiency participation in Addison County by Year 3	23%	32%	Satisfactory

VGS is required to meet certain other responsibilities beyond QPIs or MPRs. The Department's qualitative assessment of the performance of the natural gas EEU confirms that VGS is also meeting those responsibilities. including:

- Assisting other Vermont Utilities in connection with Utility Planning and transmission planning.
- Providing technical support and training with the development and implementation of state energy codes and standards.
- Promoting customer participation in and market awareness of EEU services and initiatives; increasing consumer demand for energy-saving products and services; and influencing consumer decision-making in energy efficiency choices.
- Providing a toll-free number for its customers; a web page describing services available to customers; and effective customer response and referral.
- Providing general information to the public to:
 - Increase consumer awareness and understanding of the benefits of reducing energy use;
 - Inform consumers of the best technologies available to them; and
 - Refer consumers to information and service resources other than the EEU
- Assist the PUC and/or the Department in developing and implementing any Self-Administered or Managed Energy Efficiency Programs for eligible gas EEU customers.