



MEMORANDUM

TO: Chairs and Vice Chairs of the House Environment and Energy, Ways & Means, and Appropriations Committees

FR: TJ Poor, Public Service Department

RE: Clarifications regarding the SEA model estimation of Renewable Energy Standard policies

DT: March 10, 2024

Chairs and Vice Chairs:

This memorandum is intended to clarify the Public Service Department’s estimate of costs associated with proposals to modify the Renewable Energy Standard (RES).

The Department clarifies that it has previously inadvertently reported the total costs of modeled scenario 2 and its own proposal as *cumulative* net present value costs¹, including both the current Renewable Energy Standard and potential changes to the standard through 2035². When accounting for only the *incremental* net present value costs through 2035 of modeled scenarios or proposals, the cost of the power supply portion of costs is lower. It is appropriate to consider the incremental impact of immediate RES policy proposals, within the context of overall cumulative impacts of the RES.

The table below shows both the cumulative (current RES + modeled scenario) and incremental (modeled scenario only) net present value costs through 2035 of “Scenario 2” of the Sustainable Energy Advantage model and the estimate that has been made for the Department proposal.

	Scenario 2	Department proposal
<u>Cumulative</u> Net Present Value of power supply impacts through 2035 (presented by Department in 1.24 testimony)	\$853 million (“Over \$800 million” presented).	\$164 million
<u>Incremental</u> Net Present Value of power supply impacts through 2035	\$517 million	\$110 million
*The values in this table do not include estimates of impacts to the Transmission and Distribution grid. ** The values in this table are the net present value of costs through 2035, with additional costs expected to accrue after 2035. ***Reported rate impacts have been based on annual incremental cash flows associated with proposals, and are unaffected by the clarification in this memo.		

¹ The estimates of overall cost for both the Department’s Renewable Energy Standard proposal and H.289 have been based upon the model’s estimation of the net present value of benefits and costs that occur through 2035. The net present value of an investment is intended to represent the sum of all future cash flows over an investment lifetime, discounted to present value to reflect the time value of money.

² The model reviews costs through 2035, however the scenarios and proposals will continue to have cost, emissions, and other impacts for many years past 2035 that have not been included in the analysis.

Scenario 2 is the scenario that the PSD testified about on January 24, 2024 before the House Environment & Energy (HEE) Committee, chosen based on testimony provided by other witnesses to the HEE Committee in support of H. 289. Scenario 2 is not proposed by any stakeholder; it does not represent H.289 or any other policy proposal. H.289 has provisions that would reduce the costs relative to this scenario. Because of this, the Department in testimony reduced the cumulative costs reported by approximately 40% to \$500 million. This adjustment was not based on explicit modeling.

In written materials provided to House Environment & Energy Committee, Renewable Energy Vermont estimated the Incremental cost of H.289 to be a net present value of approximately \$357 million.³ While to the Department's knowledge this was not discussed in oral testimony, it is a reasonable net present value estimate of the incremental power supply costs of H.289 through 2035. Using this number, and in addition to potential transmission costs (if they were to be \$500 million) **the total cost of H.289 could still be as much as much as \$857 million or more through 2035 (with additional costs incurred after 2035)**. The Department looks forward to continuing to explore ways to mitigate the risk of these potential costs to ratepayers with stakeholders and the Legislature.

Please feel free to contact the Department with further questions, or to request testimony about this clarification or other aspects of the Renewable Energy Standard.

Thank you,

/s/ TJ Poor

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³ See "[Better Understanding the Costs of H.289](#)", Renewable Energy Vermont slides provided to the House Environment & Energy Committee Tuesday, February 6, 2024.