

**VERMONT INDEPENDENT POWER PRODUCERS ASSOCIATION
(VIPPA)**

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[VIA EMAIL]

April 13, 2015

Honorable Christopher Bray
Chair, Senate Committee on Natural Resources & Energy
Vermont State House
115 State Street
Room 8
Montpelier, VT 05633-53301

Dear Senator Bray:

Thank you for meeting last week with John Warshow and Kevin Ellis on the issue of small-scale, community-based hydro dams and H. 40.

We write to ask for the committee's support for language that would clarify the energy landscape for these projects and ask to testify on the issue when you begin your discussion this week.

Existing hydroelectric power plants in Vermont operate under a hodge-podge of different contracts in terms of duration and price. Bringing consistency and longer-term contracts to this sector of electric generation assures their place in Vermont's green energy mix.

VIPPA seeks long-term contractual relationships within Vermont, so that our power can stay in Vermont and be counted toward the 2017 green energy goals.

The proposed amendment would modify slightly the way prices are set for existing, independent hydroelectric power plants in Vermont. The current price-setting statute for these facilities (the price for the so-called "standard offer contract" for existing hydroelectric plants) has not accomplished its goals because it does not:

- Recognize the changing marketplace for green power in Vermont;
- Provide a sustainable price for existing facilities at reasonable cost to ratepayers; and
- Facilitate long-term, stable relationships that will keep green power in the state and help it achieve its green power goals.

The proposed amendment:

- Makes the annual price-setting exercise for standard offer contracts a purely market-based approach by eliminating the artificial price cap and using the market rate or “spot rate” for power
- Simplifies the process for valuing other rate elements (i.e., line losses, environmental attributes, contract value) by incorporating the values established for other standard offer contracts
- Updates the annual price setting date from January 15, 2014 to January 15, 2016 to clarify when the PSB must next set rates under the modified structure
- Adopts the House revision to the requirement for “LIHI” certification (Low-Impact Hydropower Institute)

Background

The 1980s in Vermont saw the development of about 70 MW of independent hydroelectric and wood-fired generation, still on line today.

The existing hydroelectric projects were all constructed from 1984 to 1993 at existing, but otherwise unused dams, many of which were formerly industrial sites, but not equipped for electric generation.

The Public Utility Regulatory Policies Act (PURPA) of 1978 allowed this redevelopment. Federal law requires that utilities buy the output of Qualifying Facilities, at the same price they are paying for comparable resources, on a non-discriminatory basis.

These independent power producer (IPP) projects operate in full compliance with their federal and state permits and licenses.

After 1993, no new hydroelectric plants were built in Vermont until 2010, when the first Sustainably Priced Energy Enterprise Development (SPEED) Standard Offer facility came on line.

Of the IPP hydro projects now operating:

- 16 (total 41 Mw) are selling to Vermont Electric Power Producers Inc. (VEPPI) under long-term contracts.
- 5 (total 13 Mw) are selling under short-term contracts to Independent System Operator New England Inc. (ISO-NE) or the interconnecting utility.

- 6 (total 5 Mw) are under the SPEED program.
- 7 (total 2 Mw) are less than 500Kw and are selling under the net metering program.

Per Act 99 last year, the current net-metering program expires and a new program will go into effect on January 1, 2017. The 2017 program has not yet been established.

We look forward to discussing this matter more with you and the committee in the coming days. Please do not hesitate us with any questions or comments about our amendment or any aspect of VIPPA's work.

Sincerely,

Mathew Rubin
VIPPA

John Warshaw
VIPPA