



April 9, 2018

Honorable Jane Kitchel, Chair
Senate Committee on Appropriations
Vermont State House
Montpelier, VT 05609

Re: H.924, Withdrawal from Clean Energy Development Fund

Dear Senator Kitchel,

Upon review of H.924, VPIRG would like to express two concerns related to the budget, and the Clean Energy Development Fund (CEDF) in particular. First, the Administration's proposed change in Sec. D.101, which would transfer \$500,000 from the CEDF to the General Fund in fiscal year 2019. Second, the Administration and the House proposed in the budget to withhold over \$453,000 in funds intended for the CEDF. Together, our understanding of these provisions is that they would result in the functional elimination of the Clean Energy Development Fund, as there would be essentially no money left in the Fund. We also understand them to be contrary to statute, which dictates in 30 V.S.A. § 8015(a) that CEDF funds shall "be expended solely for the purposes set forth in this subchapter and shall not be used for the general obligations of government."

Our understanding is that of the over \$3,500,000 that appears as a balance in the CEDF, over \$3,000,000 is committed in signed grants and other obligations. The remainder (over \$500,000), is budgeted for grants and obligations for fiscal years 2018 and 2019 and for administrative expenses to fulfill the existing obligations from the Department of Public Service for fiscal year 2019. The Administration's proposal, put forward as a "technical correction," to transfer \$500,000 away from the CEDF would immediately put a halt to those important activities and essentially shut down the CEDF.

In addition, the CEDF is owed \$453,000 in funds that originated in the CEDF and were transferred to the State to cover the expenses for the solar tax credit. Our understanding is that in the event that these funds were not used for the tax credit, they would revert to the CEDF.

The CEDF is currently focused on promoting the adoption of advanced wood heating systems. As thermal energy is a significant expense for most Vermonters, and statewide is the second highest contributor to carbon emissions, assisting Vermonters' transition to a clean, stable thermal energy source like advanced wood heat is a critical program at this time. Encouraging the growth of the advanced wood heating industry also supports our vital forestry industry, helping maintain the

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sustainability of our forests and supporting jobs for Vermonters. Almost every dollar spent on local wood stays in Vermont, whereas 8 out of every 10 dollars spent on fossil fuels leaves the region.¹

The CEDF was created in 2006 around the goal of developing local renewable energy generation to transition away from nuclear power. The CEDF began its focus on wood heating in fiscal year 2014. Prior to 2015, the CEDF was very successful in growing renewable electricity, in particular solar energy. CEDF grants played a key role in catalyzing a burgeoning industry, resulting in accelerated deployment of the technology across Vermont and the growth of a diverse network of local solar companies creating strong, stable jobs for Vermonters. As solar grew out of its infancy, the CEDF grants and incentives for solar decreased and eventually stopped altogether as the industry reached maturity.

The CEDF is relatively early in the process of encouraging advanced wood heating. An analysis of our climate and energy goals showed that we will need approximately 40,000 advanced wood heating systems in place by 2050.² A 2017 analysis found that we had just 480 such systems installed.³ The CEDF has the opportunity to continue positive momentum, but that momentum will stop if funds are withdrawn or withheld. This will jeopardize local businesses and jobs and our ability to meet our clean energy goals.

We recommend that the Appropriations Committee reject the Administration's proposal, and instead retain the existing balance in the CEDF and revert the outstanding funds back to the CEDF so that the Fund may continue its important work of furthering advanced wood heating across the state.

Please do not hesitate to reach out with any questions or concerns.

Sincerely,



Ben Edgerly Walsh

Climate and Energy Program Director
Vermont Public Interest Research Group

cc: The Honorable Tim Ashe, President Pro Tempore
The Honorable Chris Bray, Chair, Senate Committee on Natural Resources and Energy
The Honorable Ann Cummings, Chair, Senate Committee on Finance

¹ Biomass Energy Resource Center, "Wood Heating in Vermont: A Baseline Assessment for 2016," prepared for Vermont Department of Public Service Clean Energy Development Fund, July 2017, p. 5.

² Energy Action Network, "VT Energy and Emissions Visualizations," November 16, 2017. <http://eanvt.org/vt-energy-and-emissions-visualizations/>

³ IBID p. 4.