

## **Background**

In 2012 the legislature passed Act 170 which added language for existing hydroelectric plants to the Standard Offer statute.

The legislative intent behind the Existing Hydro section was to provide a market-based power rate to incentivize hydro independent power producers (IPP's) to keep selling their output in Vermont after their 4.100 contracts expired. The goal was to provide an equitable market for in-state hydro power so that it is a reliable part of VT's renewable energy supply - to help Vermont reach its renewable goals.

## **The problem**

- As the statute is currently written, it contains two downward ratchets on the rates. As a result of the ratchets, no one has ever signed up for those rates in six years thus contravening legislative intent.
- Some of these projects are struggling. The average price of electricity is low. As they come out of their 4.100 long term contracts larger projects are selling to the local utility at the spot market rate. It can take years for the independents to negotiate a deal with the utility. About 40 MW, are currently selling to their local utilities under short term agreements.
- As a matter of reality, the local utility is the only buyer because of "wheeling" costs. The rates offered are often significantly below market. This situation in several cases threatens their continued operation in Vermont. The absence of a backup market may result in the IPP's selling out of state and affecting Vermont's renewable energy portfolio goals.

## **H. 338**

- The proposed language will encourage the IPP's to continue to sell their power in VT. It was agreed to by the independent power producers (VIPPA) and Green Mountain Power, who purchases the vast majority of this power. Other utilities are neutral on the subject, as are the Department and the PUC.
- Removes the two inflation limiting caps in the current statutory formula for setting a rate for existing hydroelectric plants.
- Adjusts the calculation of the rate by using a two-year rolling average of the environmental attributes.

## **Other Background**

- Vermont Independent Power Producers (VIPPA) has 34 operating hydro projects, 4% of VT's KWh.