ASSOCIATED INDUSTRIES OF VERMONT

REPRESENTING THE VERMONT INDUSTRIAL AND BUSINESS COMMUNITY SINCE 1920

Comments on S.267

Senate Committee on Finance

February 24, 2020

AIV respectfully urges opposition to S.267 as introduced, and recommends that any revised legislation move forward only if it avoids increasing costs to ratepayers, allows greater flexibility for utilities in sourcing competitively priced renewable energy, and provides for stronger guidelines for distributed generation to avoid increasing transmission cost demands.

A long standing concern for Vermont's manufacturers and other energy dependent businesses has been the high cost of electricity in the state, both in absolute terms and relative to other states in the country where competing businesses are located or where investment, production, and employment might be directed away from Vermont and into new or related facilities. Commercial and industrial rates have consistently run between 30% and 50% over the average across the other continental states with which Vermont competes, with many states having even more significant disparities. This competitive disadvantage is compounded by the fact that Vermont tends to rank at or near the top of other key costs of doing business as well, especially for manufacturing.

Although it might not be possible for Vermont to match the low electric rates found in other states, it is nevertheless critical to ensure that our rates are kept as low as possible and that state policies do not artificially increase them. This is a necessary part of an overall effort to address affordability and competitiveness across Vermont's economy.

S.267 would significantly increase the cost of electricity without meaningful offsetting benefits. To illustrate the potential impact of this bill, GMP has estimated that the net cost of expanding the distributed generation mandate to 20% could increase its own power costs by as much as $250 million over the following 10 years, and VELCO has estimated that achieving this mandate could increase required transmission infrastructure costs by as much as $500 million. This impact would be on top of the significant cost of subsidies built into net metering projects that will already cost ratepayers approximately $400 million above market prices over the same time period.

We understand that advocates for S.267 claim that more support is needed for renewable generation and distribution of small scale generation across the state, and that these new mandates will help reduce carbon and grow renewable energy jobs. However, Vermont's electric portfolio is already one of the cleanest in the country, and the growth of solar generation has been so significant that large additional requirements are likely to provide diminishing value.

Finally and ironically, increasing electric rates that will result from S.267 would not only hurt the competitiveness of all other businesses and manufacturers in Vermont, it would also be counterproductive in efforts to convert more of Vermonters' heating and transportation to electricity. S.267 will undermine climate reduction goals as electric rates increase. If anything, legislation should be adopted to eliminate unnecessary and costly subsidies for net metering and other over-priced generation and allow even greater flexibility for utilities to pursue the most cost effective renewable generation available.