



February 24, 2020

Dear Chair Cummings and Members of the Senate Finance Committee:

I am Chris Carrigan and I'm the Vice President of the statewide Vermont Chamber of Commerce, which represents members from all industries and sectors of Vermont's business and manufacturing community. I manage the Vermont Chamber's Manufacturing Division and Aerospace and Aviation Program.

Please consider this letter as our submitted formal comments on S.267.

Informed by consistent engagement and dialogue with our diverse membership, the Vermont Chamber maintains an informed perspective on issues impacting Vermont's economy. After carefully considering the concerns of our manufacturing members, the Vermont Chamber of Commerce has concerns regarding S.267, a bill that proposes to make amendments to the Renewable Energy Standard and require Vermont electric utilities:

- To have 100% renewable power by 2030; and
- Increase their current distributed renewable generation portfolio from 10 to 20 percent by 2032.

The Vermont Chamber's concern lies with the second amendment and the proposed requirement to increase distributed renewable generation for utilities from the current 10% portfolio to 20% by 2032.

According to Green Mountain Power (GMP), such an increase would increase their rates by an estimated additional \$15 to \$25 million every year for GMP customers if Tier 2 were doubled and could result in an up to 4% increase in electricity rates. This does not even include the costs related to Transmission System upgrades and this is in addition to the rate pressures that most Vermont electric utilities are experiencing as a result of existing renewable policies, in particular the net-metering program, that has proved extremely costly for Vermont's residential and commercial ratepayers.

Some Vermont manufacturers realized a 10% increase in the Fall of 2019 which has already had a significant negative impact on operating budgets. Electricity is a significant part of manufacturing costs, where total electric bills range from hundreds of thousands to millions of dollars. Increases in electric costs, even with the focus companies have had and continue to have on efficiency, constrain other spending. In addition, it should be noted that due to the scale of

electricity requirements manufacturers have, distributed generation, which is electricity generated from renewable energy sources near the point of use, is not a direct and viable option due to its intermittency and output, which does not provide the needed availability and reliability.

Such an increase would result in higher electrical rates for our manufacturers, exacerbate the difference in electrical costs between Vermont and surrounding states, such as New York, and place our manufacturers, many of whom provide Vermonters with employment and a high standard of living, at a competitive disadvantage regionally, nationally and globally. 71% of Vermont's 1,200 manufacturers (852) are also located in rural Vermont counties and their existence is key to those communities. For some large manufacturers every 1% rate increase translates into an additional \$60,000 in added costs. A 2-4% increase, therefore, would mean an additional \$120,000 to \$240,000 in additional annual costs. Taken across the board, such a rate increase could potentially cost Vermont's manufacturers hundreds of millions of dollars in additional operating costs.

Such an increase and related costs could also potentially result in reactionary measures, such as:

- Price increases in a globally competitive marketplace;
- Reduced investments in product research, development and innovation;
- Salary reductions;
- Workforce reductions;
- Business closure; and
- Out-of-state or out-of-country relocation.

Manufacturing matters to Vermont. To illustrate, Vermont has a \$2.81 billion manufacturing economy that employs 29,850 Vermonters (9.5% of Vermont's workforce) and accounts for 9.23% of the State's Gross Domestic Product (GDP). In 2017 manufactured goods exported by Vermont companies made up \$2.69 billion in total value. Additionally, Vermont manufacturing paid employees an average annual wage of \$59,390.

In closing, the statewide Vermont Chamber of Commerce has concerns with S.267 as currently written and encourages the committee to structure the bill so that businesses and manufacturers aren't burdened with additional electric costs.

Christopher Carrigan
Vice President
Vermont Chamber of Commerce
(802) 223-0904
ccarrigan@vtchamber.com