



DATE: January 19, 2022

TO: House Committee on Government Operations

FROM: Dylan Giambatista, Leader of Public Affairs

SUBJECT: H.448 Thermal Provisions

We appreciate the Committee's interest in the section of H.448 that relates to regulating thermal energy systems in residential and commercial buildings located in Burlington, and we thank the Committee for inviting VGS to provide testimony.

Given the focus of this part of H.448, I'm going to start by providing brief background on VGS. VGS, also known as Vermont Gas Systems, is northwest Vermont's thermal energy provider. We're a utility made up of 135 dedicated Vermonters. We provide 55,000 customers safe, affordable, and reliable thermal energy service, award-winning energy efficiency programs, and home and business energy equipment service and maintenance.

In 2019, VGS launched the most ambitious climate plan of any peer utility in the country, outlining a strategy to achieve NetZero by scaling up energy efficiency programs, increasing the amount of renewables for customers, and collaborating with innovative partners to fight climate change.

VGS is actively adapting to emerging statewide energy policy, including the Global Warming Solutions Act. Here are examples of steps VGS has undertaken in the past year:

- We partnered to launch the largest anaerobic digester in the northeast at the Goodrich Family Farm in Salisbury, which is now producing locally-made renewable natural gas.
- We increased weatherization rebates available to low- and moderate-income Vermonters.
- We launched a new program to install electric heat pump water heaters.
- And we've continued to engage to develop initiatives like the Weatherization at Scale proposal with Tariff On-Bill Financing, and the Clean Heat Standard, both of which were recommended in the Vermont Climate Council's first-ever Climate Action Plan.

We are committed to helping the State reach its climate goals, and our team is available should you or any of your colleagues have questions about how VGS is adapting to statewide energy policy.

Turning to the charter before the committee, it helps to put VGS's Burlington customer base into scale: VGS serves 55,000 customers in Addison, Chittenden, and Franklin Counties. Just under 15,000 of these customers reside in Burlington.

VGS and the Burlington Electric Department have a long and productive partnership for the benefit of our shared customers. We've recognized that by working together, we can fight climate change more effectively and more quickly advance our shared goals. We have developed weatherization initiatives – including a very successful Energy Champ Challenge focused on multi-family buildings



– and are in close collaboration on the Burlington District Energy System, using steam heat from the McNeil Generating Station. We applaud Burlington’s efforts to be a Net Zero Energy City; it helped inspire our own Net Zero goal at VGS.

As to the charter proposal before the Committee, we recognize Burlington voters approved this measure and that your Committee is tasked with reviewing charter changes. We also recognize the statewide view you and your legislative colleagues take as you set policy.

In that spirit, we’d like to flag a few areas where local implementation of thermal regulations could impact or reduce the effectiveness of statewide energy policy if more municipalities take steps in this direction.

First, consider the way local regulation could add complexity to achieving statewide energy goals. Like all utilities operating in Vermont, VGS is fully regulated, and complies with state law and the rules and regulations promulgated by the Department of Public Service and the Vermont Public Utility Commission. Adding an additional layer of local regulation could result in a tapestry of municipal policies that are not aligned or consistent with state energy policy and goals. The merits of this approach should be weighed as the State implements the statewide goals of the Global Warming Solutions Act.

Second is cost considerations. VGS, like all thermal energy providers, is actively adapting to statewide climate policy that is new and under development. It is unclear how the transformation needed to achieve the Global Warming Solutions Act targets will impact customer costs, but in the near-term it will likely mean some amount of upward cost pressures. VGS is well positioned for energy transformation as a regulated utility and energy efficiency utility. Still, we are calibrating our programming and modeling to expected statewide policy changes. The provision in the charter change proposal could lead to increased costs being imposed at the local level, over and above cost pressures that are expected as thermal energy providers transition their heating fuels to lower-carbon fuels, like renewable natural gas and other biofuels.

Third, it’s important to consider emerging policy, such as the Clean Heat Standard. Like so many thermal energy providers, VGS has been at the table helping to provide feedback, technical support, and input on development of a Clean Heat Standard, a standard that was not part of the public discussion at the time of the Burlington Charter vote. The Clean Heat Standard is a performance standard that would require fuel providers across Vermont to decarbonize their fuel supply on a percentage basis that rises overtime. If enacted and implemented, VGS would meet the standard through its own activities or by purchasing credits from the activities of others. Generally speaking, VGS believes a well-designed Clean Heat Standard will lead to the use of more decarbonized fuel as first envisioned by [Energy Action Network’s whitepaper on the subject](#). It is important to note that the Clean Heat Standard is a statewide concept. While some municipalities, presumably Burlington, would regulate in line with State climate goals, others could take a different tack. As noted earlier in this testimony, adding an additional layer of local regulation could result in a tapestry of municipal policies that are not aligned or consistent with state energy policy and goals. At best, it could be confusing and complicated. At worse, it could jeopardize the successful implementation of a statewide Clean Heat Standard.

VGS is realigning our carbon accounting to adhere to State guidance as we quantify both past and



future emissions reductions. As a fully regulated utility, the scope of VGS's work, and our ability to reach Net Zero, will depend on stable policy and regulation. We will continue to work with statewide policymakers as Vermont implements the Global Warming Solutions Act.

VGS has focused our testimony on the statewide impact of municipal thermal regulations and take no position on other parts of H.448. We appreciate the intent of this section of the charter change to address climate change, but we have concerns about the potential for a patchwork regulatory system, and whether there will be unintended consequences or affordability issues that could negatively impact everyone's shared climate goals.

We hope this testimony provides some perspective as you weigh this municipal charter change in balance with the statewide energy policy initiatives you'll consider this session.