

# **Louise Diamond Committee to Protect Next Generations**

Project of the Institute for Multi-Track Diplomacy

**Testimony of John L. McCormick, Director**

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## **Appropriations Committee Hearing on P.U.C. Funding**

Chairwoman Kitchel, Members of the Committee

My testimony is directed towards the Public Utility Commission's FY 2025 funding request for continuation of the design of the Clean Heat Standard rulemaking.

Newly appointed PUC Chairman Ed McNamara appeared before the House Appropriations Committee, on February 13. He asked for another General Fund appropriation of \$875,000 to keep the Clean Heat Standard lights on.

He was asked if money was allocated for it in the Governor's budget. The answer was no.

The Administration instructed PUC to get the money from their existing, dedicated funding stream which comes almost entirely from the gross receipts taxes on utilities (primarily electricity), plus a little from applications fees.

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The problem is there is no reserve fund sufficient for the Clean Heat Standard. All current revenue is needed to fund all that PUC is required to regulate. There's nothing left over to fund the Clean Heat Standard also.

Commissioner McNamara confirmed that and spoke of the danger of utilizing deficit spending to accomplish the new study by re-allocating funds around the Commission. It would create future requests by PUC for General Funds. Given the relationship between PUC's dedicated funding stream and the State Treasury the PUC's regulatory agenda will quickly be challenged.

The Committee will have a difficult decision to underwrite completion of the rulemaking procedure while S.5's deadlines will likely be extended per request of the Equity Advisory and Technical Advisory Groups.

They are becoming more vocal that they cannot accomplish all that is required given the tight statutory deadlines imposed on the Study process. It is this majority view which will delay the final rulemaking proposal beyond January 15, 2025. The Committee must take the extension amendments into consideration before it decides on any appropriation to the PUC.

At a February 26, Bristol Legislators Day, NER Chairman Chris Bray was asked if the legislators are considering extending deadlines. He responded that talks with the

PUC are ongoing and the Committee will take up deadline extensions in 3 or 4 weeks.

As time passes, there may arise a need to increase technical personnel and contracted consultants. The credits and Default Delivery Agent proposed rules discussion are highly technical and very complicated. The Groups can request/demand services of expert consultants to reach decisions.

Thus, the PUC's administrative costs will exceed the FY24 current \$825,000.

And, the expiration of EAG and its relationship to DPS will affect the FY25 DPS budget – mostly reliant on General Funds.,

Act 18, Section 8129 (c) states:

“The Equity Advisory Group shall cease to exist when the initial Clean Heat Standard rules are adopted.”

If the legislature extends compliance deadlines, the Department of Public Service will have to maintain its technical and legal staff with no funding source aside from the General Fund.

Total needed funding for PUC and DPS could exceed \$2 million or more. If the House Appropriations Committee maintains its opposition to tapping the General Fund, in

the FY2025 budget, both the PUC and DPS will not be able to retain the rulemaking appointees. Appropriating General Funds to PUC rulemaking process is contrary to the S.5 statute.

This raises deeper questions the Committee must address:

- is the Clean Heat Standard administratively feasible
- what will be the administrative costs and what is the funding source
- can low and lower middle income Vermont fuel customers afford it implementation
- will its implementation, with its rising fuel costs, have a negative impact on the State's Low Income Heat Energy Assistance Program appropriation?

The Committee should consider tabling appropriation of PUC rulemaking funding until the issue of extending deadlines is made clear. And, it is worth considering requesting the Administration to provide the Committee the summation of an investigation by the PUC, DPS, ANR and JFO of the feasibility of Act 18.