



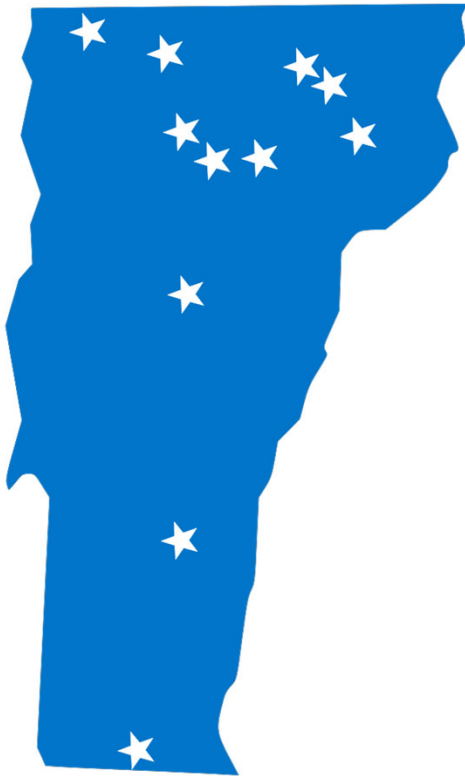
**Senate Committee on
Natural Resources & Energy**

Bill 23-0107 v5.1 - RES

April 17, 2023

Ken Nolan, General Manager

VPPSA Members



- **Barton Village: 2,000**
- **The Village of Enosburg Falls: 1,700**
- **Hardwick Electric Department: 4,500**
- **Village of Jacksonville: 700**
- **Village of Johnson: 1,000**
- **Ludlow Electric Light Department: 3,700**
- **Lyndonville Electric Department: 5,700**
- **Morrisville Water & Light: 4,200**
- **Northfield Electric Department: 1,800**
- **Village of Orleans: 700**
- **Swanton Village: 3,800**

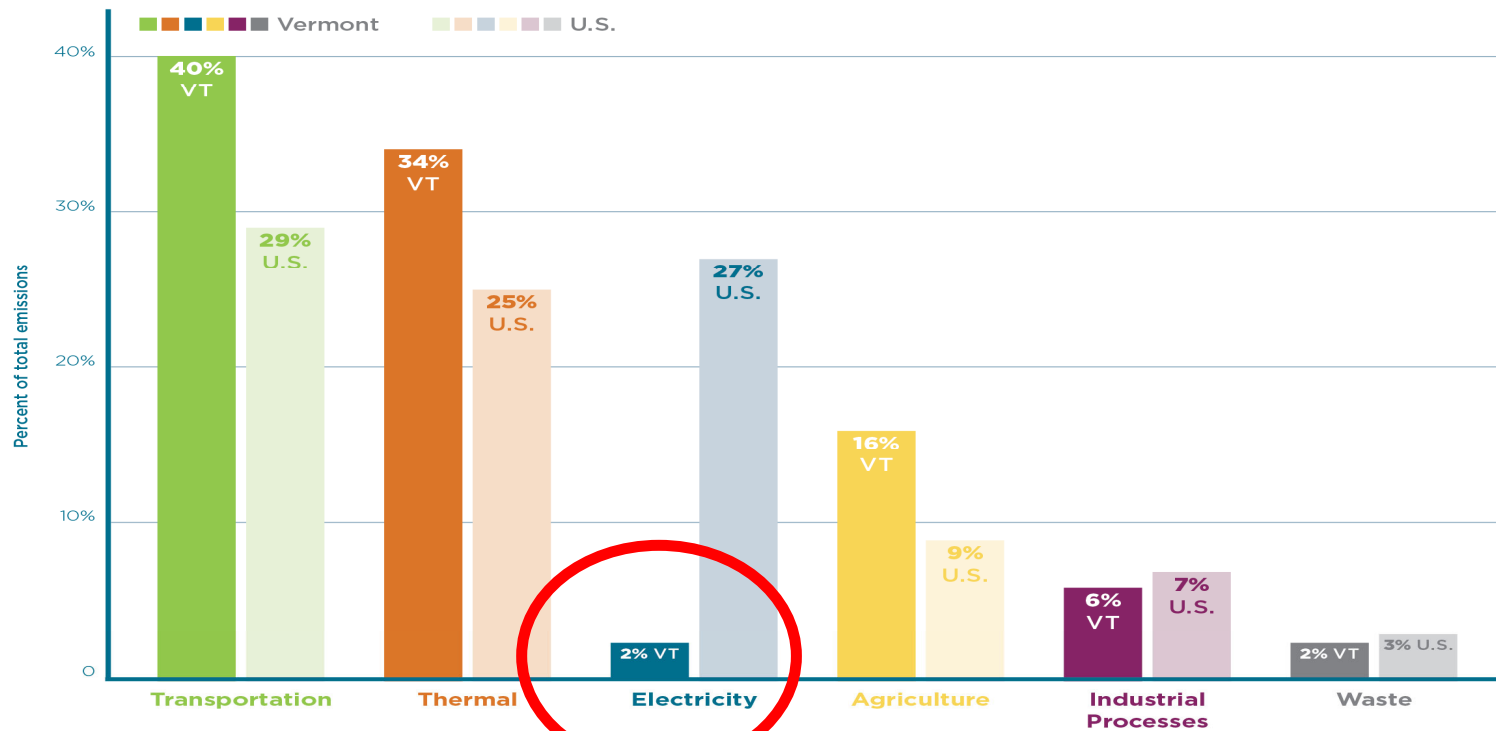
About VPPSA: Our Services



-  **Power Supply Purchasing and Generation**
-  **Financial Services**
-  **Rates and Planning**
-  **Legislative and Regulatory**
-  **IT Support and Technology Upgrades**
-  **Communication and Outreach**
-  **GIS and Field Services**
-  **Renewable Energy Standard**
-  **Key Accounts Program**

From 2022 EAN Annual Progress Report

GHG emissions by sector, U.S. vs VT (2018)



Source: Vermont Agency of Natural Resources, Vermont Greenhouse Gas Emissions Inventory and Forecast (1990-2017), 2021.; U.S. Environmental Protection Agency, Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2018, 2021. Note: Due to time lags in state and federal data reporting, 2018 is the latest data available.

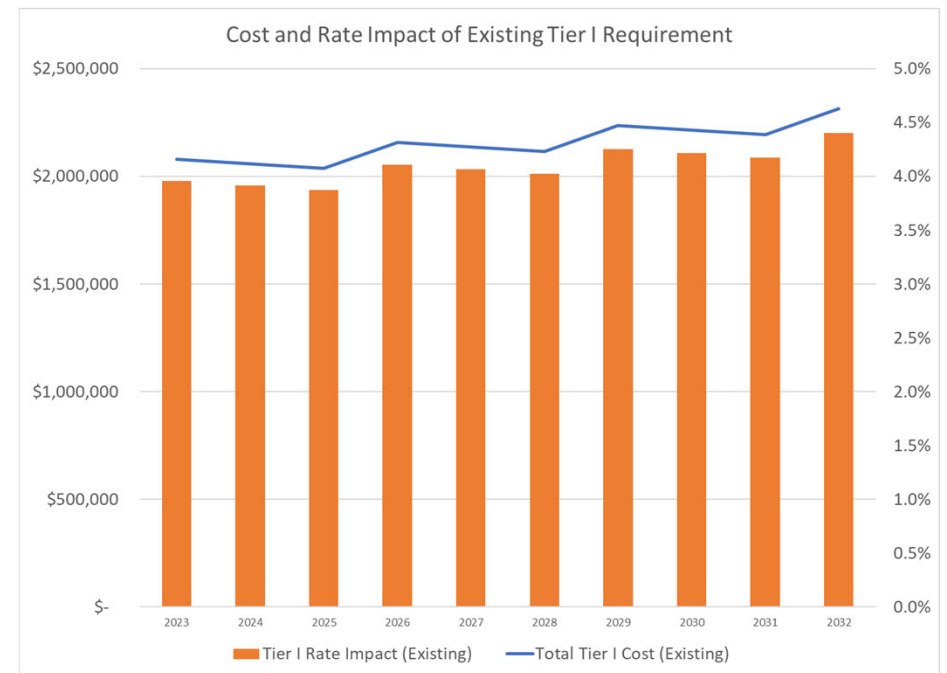


Initial Thoughts

- **The RES is working and has already dramatically reduced Vermont's Greenhouse Gas (GHG) emissions in the electric sector**
- **Any additional ratepayer investments should be focused on transportation and heating electrification**
 - not on incremental power supply portfolio mandates that will have minimal impact on Vermont's GHG emissions
- **Implementing the RES, even at existing levels, is not without significant cost to Vermont consumers**
- **Perpetual discussions about RES revisions undermine utility efforts**
 - Long term purchase decisions are placed on hold pending a firm direction
 - Capital markets increasingly look upon Vermont's regulatory environment as risky

Estimated Tier 1 Impact on VPPSA - Existing

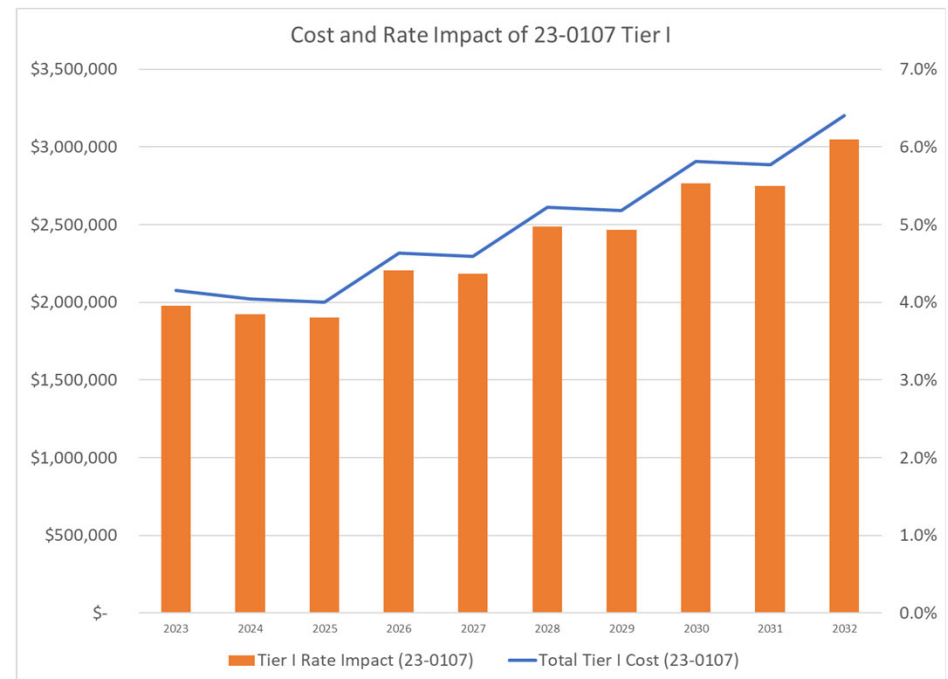
- **The existing Tier I cost represents roughly 4% of VPPSA member retail revenues**
- **Roughly \$2 million/year**
- **The existing requirement is anticipated to have minimal incremental rate impact through 2032**



VPPSA Composite System

Estimated Tier 1 Impact on VPPSA - Proposed 23-0107

- **Tier I costs under the proposal would escalate to roughly 6% of VPPSA member retail revenues**
- **Roughly \$3 million/year**
- **This assumes existing REC prices are not affected by the increased demand**
- **Tier 1 costs for VPPSA are estimated to increase by 50% under the proposal**



VPPSA Composite System

Excerpts from Moody's April 11, 2023 VPPSA-Swanton Peaking Fac. Proj. Credit Opinion

- Summary

- “The weighted average credit quality is somewhat weak compared to similarly rated municipal projects and is **further exacerbated by Vermont's regulation of municipal utilities** as their rates need to be approved by the Vermont Public Utility Commission even though VPPSA and the project itself is unregulated” (emphasis added)

- Detail

- “While VPPSA is free from regulation when setting its rates, municipal electric utilities across the state are subject to rate regulation and oversight by the Vermont PUC (**unique in the municipal power sector**), **which we view as a weakness** and potential constraint to full and timely cost recovery.” (emphasis added)

- Scorecard

- “The assigned rating of Baa1 is one notch below the grid indicated outcome of A3 for the VPPSA Swanton project. **The rating difference largely reflects rate regulation by the Vermont PUC that is present at the participant level.**” (emphasis added)

VPPSA Position on 23-0107

- **The Bill is not necessary to meet Vermont's climate goals and will potentially have large rate impacts with little resulting benefit**
- **Discussions around RES revisions every year have a chilling effect**
 - VPPSA has delayed carbon free power purchases for fear of buying the "wrong" renewable supply
 - Financial markets increasingly view Vermont utility regulation as risky
- **To the extent the Legislature believes a study is necessary, VPPSA supports the proposed utility revisions to the Bill**
 - Any study should be comprehensive
 - It should be managed by the regulatory body steeped in these issues
 - It should include all quantifiable positive and negative impacts
 - Affordability should be a cornerstone of any recommendations
- **A "Clean Energy" approach to Tier 1 should be considered**

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www.vppsa.com

Community is at the Heart of VPPSA.