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Initial Testimony of TJ Poor on H.727

2.12.26

Regulatory Process governing interconnections of large loads in Vermont

Our current processes through Act 250 and Act 248 are strong, but clarification or improvements could be made to clarify jurisdiction and ensure data centers are beneficial to Vermont.

Currently, Vermont regulations require that **a data center's load (or any load) in Vermont must be served by an electric distribution company.**

- Title 30 provides the overall legal framework for electric utilities
- Instead, it establishes the authority of the Public Utilities Commission (PUC) to regulate utilities and issue certificates of public good which are required for utility operations, such as constructing and operating facilities under Section 248.
- **The exclusivity of service territories is maintained through regulatory decisions.** Thus, any data center would be served by an existing electric utility.
- This is true whether service is taken at a distribution or transmission level.

For loads connecting to the *sub-transmission or distribution system* (under 115kV) to an existing utility, the **electric utility must provide an "ability to serve" letter**

- The letter is formal confirmation that the utility has the capacity and infrastructure necessary to provide service.
- If the utility cannot serve the customer's expected demand, then **the customer will be responsible for all infrastructure costs associated with connecting the load.**
- This letter is often used to support Act 250 permits – Act 250 requires that a proposed development will not place an undue burden on existing services and infrastructure.
 - o Criterion 6 specifically mentions educational services, but has been read more broadly to mean all public services and infrastructure.
 - o Criterion 7 relates to municipal services, and
 - o 9A also is related to future infrastructure capacity

- If the utility can serve the load, it will do so via either an existing tariff, or a direct contract. All tariffs and contracts must be approved by the PUC, and must ensure that the customer is paying for all costs it incurs on the system.

For large loads *connecting to the transmission system*, they could

1) use the tariff/contract process, For example, Green Mountain Power's Rate 70 is available to Commercial and Industrial accounts who take service directly from the high-voltage transmission grid and have peak demands in excess of 10 MW. These customers pay for any upgrades to the transmission system necessary to serve their load.or

2) become a "Self Managed Utility". This would also require Commission approval under several areas of Title 30, including §231, §248.

- A new large load could not interconnect to the VELCO transmission system unless ISO New England (as well as the PUC) determined that there would be no adverse impact to the transmission system, or that such impacts would be mitigated through necessary upgrades to the transmission system.

Regional interconnection process:

ISO New England does not have a standardized interconnection process or *pro forma* agreements for connecting large end user retail loads to the transmission system. If faced with a transmission-level data center interconnection request, we would expect ISO New England to use the generator interconnection process as a proxy. That process typically includes preliminary discussions between the interconnecting utility and the customer about general feasibility of the desired point of interconnection followed by a complete interconnection request package to be studied by ISO-NE.

The regulatory process is suited to address potential risks to customers (with some potential clarifying improvements), included those related to:

- Energy and Capacity Prices: significant new loads could increase marginal energy costs. Vermont is well hedged in the short term, but prices could eventually flow through to ratepayers in the form of higher priced future contracts (or spot market price risk if unhedged).
 - o This includes the cost of meeting renewable portfolio standards – more demand for renewable resources could increase REC prices
- Capacity Constraints – resource adequacy or regional reliability
- Stranded Costs

Vermont is subject to these risks even if a data center is located outside of Vermont. That is why the PSD is working with NESCOE and NECPUC to push ISO-NE to clarify procedures and ensure risks are mitigated.

Initial Recommendations on H.727

1. Specifically, Agree with the Commission's recommendation that **utilities be required to enter into Large Load Service Equity contract** (no proactive development of a tariff for each utility, as in the introduced legislation). The Legislature can and should set the guidance, like how H.727 is structured.
 - Incorporate by reference 248 criterion
 - Economic benefit could be specifically clarified to include
 - impacts associated with regional resource adequacy,
 - impact on energy costs
 - reasonable contribution to embedded cost of system
 - Meeting Renewable Energy Standard, contributions to efficiency charges, GRT
 - Specifically address the risk of stranded costs.
 - Consider requirements for load flexibility and/or bringing own generation
 - Transparency in contracting

The duration of the contract should be determined by the PUC under the criteria – a shorter or longer contract may be in the interest of ratepayers.

2. Also Siting of the data center facility itself should remain in Act 250 jurisdiction, and not be with the PUC. Act 250 provides for local Commissions to have greater input into the siting of the facility. The PUC should consider impact when energy infrastructure is built (or potentially if connecting to existing regulated water systems).
3. We would like to further consider whether, and the frequency and content, of reporting on data centers.
4. Addition of technical conference, prior to any tariff proceeding. The PUC may do this anyway, but signal that
5. We recommend deletion of §288. This sends a signal that we will tax this particular sector of the economy different than other loads. If Act 250 and Interconnection requirements are met, there should not be a need for this section.

The Public Service Department looks forward to working with the Legislature to clarify and improve Vermont's already strong existing regulations, ensuring that any large loads locating in Vermont will benefit Vermont electric system, ratepayers, and Vermonters.

