

## Vermont Housing Finance Agency Testimony to House Energy & Digital Infrastructure on Act 179 Working Group

April 10, 2025

Last year's legislative changes to the Renewable Energy Standard were an important step towards meeting Vermont's climate goals and containing rates for electric customers. However, the changes made under Act 179 to end virtual Group Net Metering will have a significant impact on many stakeholders. This is especially true for developers of affordable housing, who will soon have new resources to develop solar projects through Vermont's \$62.4 million grant of federal Solar for All funding.

Of that award, \$22.3 million is targeted to the Vermont Housing Finance Agency (VHFA) to grant or loan to affordable housing developments. In addition to offering low-income residents a 20% reduction on their electricity bills or other equivalent financial benefits, it may also help encourage housing developers to reduce fossil fuel use in their buildings, and to manage higher electric loads and higher electric costs without shifting the burden to tenants. Affordable housing serves the most vulnerable Vermonters, with the average household earning less than \$17,000.

Under Solar for All (SFA), VHFA intends to promote rooftop or other on-site projects using the existing net-metering program whenever possible. However, multifamily housing built in a downtown area or in a village infill site often does not have adequate rooftop space for enough solar panels to offset more than a 15% of the building's electrical load, especially as those rooftops frequently need space for heat pumps and air filtration systems. Rarely do affordable housing projects, even in more rural areas, have any excess land for ground-mounted systems.

This ultimately means that many of our housing projects will not be able to access SFA funding and deliver resident benefits using on-site systems. This will necessitate the development of off-site projects serving those buildings. Therefore, community solar was included in the program plan for SFA developed in cooperation between VHFA and the Public Service Department.

Recognizing the challenges that were posed for the program by changes in Act 179, last year this committee chose to include an extension of the sunset for virtual group net-metering for affordable housing, through December 31, 2025. The report also called for a study to be convened by the Public Service Department to "propose comparable successor programs to group net-metering for connecting affordable housing developments and income-eligible residents of manufactured home communities with solar projects in order to reduce operating costs, reduce resident energy burdens, and encourage electrification and decarbonization of buildings."

VHFA thanks the Public Service Department for its thoughtful, inclusive approach to the charge, centering energy equity throughout the process. The Department recognized that comprehensive reform across sectors will be necessary to create more long-term, equitable access to solar resources, and therefore chose to include representatives from community interest groups, municipalities, and planning organizations, as well as the utilities and affordable housing representatives specified under Act 179.

However, the result of this process has not yet achieved the specific goal set by this committee to propose a comparable successor program that meets the needs of affordable housing.

The Renewable Energy for Communities (RE4C) Program proposed in the Act 179 Report, H.289, and H. 352 has many elements that VHFA could support, including a straightforward process for project approval with defined parameters for applicants, decreasing uncertainty in the development process and allowing projects with community benefits to remain financially feasible. It begins to address the historical imbalance in access to solar resources and Vermont's current post-Act 179 net-metering program, which primarily benefits higher-income single family homeowners.

However, VHFA has some concerns about the RE4C program as proposed. The program potentially subjects affordable housing projects to competition with other stakeholders for program capacity. There is a potential risk that other uses such as schools and municipalities would become the preferred model, leaving no capacity to address housing needs.

The Act 179 report also suggests that "the Public Utility Commission (PUC) should consider whether there should be a provision for distribution utilities to opt out of the program if they can demonstrate they are meeting the program objectives through alternative, more cost-effective program offerings". Depending on the ease of opting out, the program may not ultimately be available in utility territories where affordable housing is needed most.

The RE4C program has many other details still to be determined, and it is not yet clear to VHFA that it will meet affordable housing needs under Solar for All. In comments to the Department in the Act 179 working group, VHFA advocated for a range of size options for off-site metered solar systems, including those smaller than utility scale projects. There may be limited ability to bring enough affordable housing buildings (off-takers) online at the same time within the boundaries of many municipal utilities. Even if sufficient off-takers are available in a territory, many smaller utilities may not have capacity for large systems, and since benefits in most models used to date cannot cross utilities territories, smaller (but still off-site) projects may be necessary to ensure that properties are not left out. Even with the benefit of SFA funding to subsidize costs, affordable housing developers may struggle to find appropriate sites and the financial capacity to develop larger-scale projects under the RE4C program.

However, VHFA's primary concern is that the program is to be implemented by the Public Utilities Commission by no earlier than January 1, 2027. Vermont is facing a four and a half year deadline to spend \$64 million in federal SFA funding. VHFA and the Department only have until December 2025 to finalize a workplan for the program, which is the same date that the current net-metering sunset extension for affordable housing expires.

VHFA has agreed to work with the Public Service Department and utilities to determine ways that off-site projects under SFA could be developed without the use of net-metering, through a separate tariff or Power Purchase Agreement (PPA) with utilities. However, these potential arrangements, like RE4C, have not yet been outlined in enough detail for VHFA to design a lending program around them.

VHFA remains committed to working with the Department's proposed solutions over the coming months. However, VHFA urges this committee to continue to maintain a regulatory pathway to

community solar projects over the next five years to allow VHFA to carry out Vermont's plan Solar for All. H. 352, the standalone bill for RE4C, does include a provision to extend the group net-metering sunset for affordable housing to December 31, 2026, by which time RE4C should be operational. H.289, the original bill containing the program, does not. VHFA would support and promote the inclusion of a temporary path for projects while the regulatory process to establish RE4C is underway. Having a consistent, predictable approach to community solar is vital to enable housing developers to plan for projects and fully leverage funding resources.

In addition to the urgency of drawing down all available resources in an increasingly unpredictable federal funding environment, maintaining access to community solar for a range of stakeholders represents a more equitable approach to resource allocation, which Vermont's Climate Action Plan emphasizes. RE4C can help make meaningful progress to energy equity and Vermont's electrification goals across sectors.

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