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Written testimony from the Department of Public Service on Ryegate Electric Generating Facility to the Senate Natural Resources and Energy Committee

The Department of Public Service (Department) offers the following testimony regarding the Ryegate electric generating facility (Ryegate).

Background

- Act 47 of 2011 provided for Ryegate to deliver electricity and associated products (e.g. capacity and Renewable Energy Credits (RECs)) to Vermont utilities as part of the Standard Offer Program. The program directed the Public Utility Commission to offer a contract to Ryegate calculated to cover all of its costs for 10 years, with an original end date of November 2022.
- In 2021, the Legislature requested the Agency of Commerce and Community Development in consultation with the Department of Forest, Parks and Recreation to issue a report describing contingency scenarios that could reduce the economic impacts of the Plant's closure. [The report](#) was issued in March of 2022.
- In 2022, the Legislature extended the duration of the contract to 2032, contingent on the facility meeting certain milestones toward significantly improving the efficiency of the plant. (Act 155 of 2022) The improved efficiency could significantly improve the value to Vermonters if and when it materializes.
- In 2023, Ryegate received an extension to the milestones for improved efficiency by one year (Act 142 of 2023). In addition, Section 19 of that legislation added requirements for the facility related to ensuring payment to its wood chip suppliers, many of whom are Vermont companies. This was added because suppliers were not being paid in a timely manner by the previous ownership team – which appears to have been resolved.
- Recently, Mizzen Capital became the new owners of the facility.

Impacts to Ratepayers

- Ryegate provides baseload power – operating during most hours of the year unless in a planned or unplanned outage (unplanned outages are infrequent, but do occur). It also provides 20MW of capacity, meaning that it commits and earns value for being available at the times of peak regional demand, and RECs.
- In exchange for the energy, capacity, and RECs, Ryegate's current contract calls for the facility to receive slightly over \$0.10/kWh, adjusted annually for its wood supply costs,

which has been the rate since 2017, and will continue to be until the PUC adopts new contract terms. In “normal” years, this price is significantly higher than the value of the products received (energy, capacity, RECs)

- The facility also provides a hedge value – meaning ratepayers have price certainty for the resource, protecting against times of extremely high market prices.
- There are currently alternative resources available regionally, and other alternative mechanisms available to provide a similar hedge.
- Historically, the Department has testified that the facility costs ratepayers approximately \$5 million per year more than the value of energy, capacity, and RECs. The Department calculated the last three years of value for purposes of this testimony:
 - In 2024, the contract price was above market; Vermont ratepayers paid **~\$4 million more** than the value of energy, capacity, and RECs from the Ryegate facility.
 - In 2023, the contract price was above market; Vermont ratepayers paid **~\$6 million more** than the value of energy, capacity, and RECs from the Ryegate facility.
 - In 2022, the contract price was below market; Vermonters paid **~\$1 million less** than the value of energy, capacity, and RECs from the Ryegate facility. Recall 2022 was a year of unusually high energy prices caused by geopolitical events.
- The RECs provided to Vermont utilities are eligible to meet Tier 1 of Vermont’s Renewable Energy Standard. Vermont utilities are encouraged to sell those RECs into higher value markets and replace them with lower value RECs in order to meet Renewable Energy Standard requirements at least cost. Ryegate RECs are usually sold into Connecticut’s REC markets, which hold a significantly higher value than Vermont’s Tier 1 market (~\$35/MWh compared to ~\$4/MWh, currently).
 - Ryegate will no longer qualify for full value Connecticut RECs as of 2030, when Connecticut phases down the value of biomass resources in its Renewable Portfolio Standard. Currently, New Hampshire has a market where Ryegate is eligible that has a slightly lower value (with more volatility) than Connecticut, but still higher than Vermont.
 - Thus, the environmental attribute of the supply is likely to continue to be counted outside of Vermont.

Conclusion



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The Department does not oppose the inclusion of the proposed language, deferring to the Agency of Commerce and Community Development and to the Department of Forest, Parks, and Recreation, given its economic impacts to the surrounding area and the forest products industry.

Thank you for the opportunity to provide testimony. Please contact the Department with any questions.

Submitted via email by:

/s/ TJ Poor
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