



Vermont Electric Cooperative, Inc.

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About VEC

- Non-profit cooperative distribution utility. 2nd largest utility in Vermont.
- 33,000 members, 8 counties, 75 towns.
- Established in 1938.
- 50% of VEC members are on fixed incomes. 53% of members are age 65 or older.
- 7 of the top 11 towns with greatest energy burden are in VEC's service territory.

Top priorities are reliability, affordability, and carbon reduction.

This bill proposes a major policy change to how certain energy services in this state are provided. Thorough analysis, input and collaboration amongst key stakeholders is essential before it proceeds. We should thoughtfully determine what work needs to get done, what entity should implement this work, how much money should be spent, and who should pay. This proposal jumps ahead of these questions being answered.

A few implementation considerations necessary to ensure the program is cost effective, sends the correct prices signals, and does not create regulatory conflicts.

Who should do the work?

Expanding the scope of EVT to include beneficial electrification needs a thorough analysis considering the Renewable Energy Standard (RES) energy transformation (T3) requirement on distribution utilities. VEC currently implements T3 as part of our regulatory requirements and we make sure that the investments and services are cost effective and beneficial for the membership overall. We have incentive to do this program well, cost effectively, and in a way that is appropriate for our rural membership.

One of the benefits of the current T3 program has to do with customization—how VEC meets requirements may be very different than other utilities - and that can be good. Statewide, or one size fits all, is not always optimal. In addition to residential product incentives, VEC carbon reduction initiatives include conversion away from fossil fuels via line extensions to gravel pits and maple sugaring operations, or dynamic electrification systems at ski resorts that have historically used propane to run certain operations. VEC is proud of the work we are doing to implement beneficial electrification.

Who should pay?

VEC collected and remitted over \$5 million in EEC funds in 2024. This electric use tax is an incentive for electric efficiency but a disincentive for beneficial electrification. If these funds are no longer needed for electric efficiency we should carefully consider the next steps for the EEC, especially since it hits lower income people harder. According to Energy Action Network reports, electric ratepayers are already contributing a disproportionate share to fund carbon reduction initiatives. Options for future use of the EEC could include ramping the EEC down, using the funds for bill payment assistance, directing funds to a variety of qualified and experienced implementation entities for beneficial electrification or carbon reduction work. Other funding sources must also be created, especially if we want Vermonters to electrify heating, cooling, and transportation since increasing the cost of electricity sends the wrong price signal.

For comparative purposes, VEC budgets close to \$5 million annually for our vegetation management resiliency work. The cost we pay in property taxes is also close to this amount annually. The cost for restoration for two major outage events in 2024 was \$4.5 million. This points to the need to prioritize the cost pressures on Co-op members.

Another provision in S.65 that requires more thorough analysis and consideration concerns the supplemental funding provisions in Section 4 which would direct all net proceeds from the Forward Capacity Market and RGGI to the EEC. Use of those funds should be thoroughly evaluated. For example, some other states have used RGGI funds for bill assistance programs.

In sum, at this time VEC does not support the expansion of Efficiency Vermont scope as outlined in this bill, nor the remittance of the EEC funds to do this work. To effectively tackle the carbon reduction and affordability priorities, more thorough analysis is necessary to ensure we do not create duplication, regulatory confusion, unintended consequences, or wrong price signals. Thank you.