



VERMONT LEGISLATIVE
Joint Fiscal Office

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Fiscal Note

March 11, 2025

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S.65 – An act relating to energy efficiency utility jurisdiction

Bill Summary

This bill proposes various changes to the jurisdiction and program priorities of Vermont’s energy efficiency utilities. Key provisions of this bill include:

- Expanding energy efficiency utility (EEU) jurisdiction to include greenhouse gas emissions reductions and electrification projects;
- Elevating the priority placed on greenhouse gas emission reductions and electrification projects in EEU program delivery;
- Increasing EEU flexibility to use Energy Efficiency Charge revenue for projects that reduce total energy use across different fuel types; and
- Capping the annual revenue raised by the Energy Efficiency Charge (EEC) at an amount equivalent to the inflation-adjusted 2026 electric efficiency budget approved by the Public Utility Commission.

While this bill maintains EEUs’ authority to implement energy efficiency projects, its proposed prioritization of emission reductions, combined with its provision to cap annual EEC revenue at an inflation-adjusted maximum, would likely result in less EEU investment in traditional energy efficiency projects and more EEC investment in other services, such as electrification, relative to the current baseline.

Fiscal Impact

As proposed, the Joint Fiscal Office (JFO) has identified three areas of the State budget that could be affected by this bill: 1) State energy expenditures (i.e., the cost of electricity consumed by State entities); 2) revenue raised from the monthly gross receipts tax levied on the retail sale of electricity; and 3) revenue raised from the tax on gross operating revenues of electricity providers, levied on the prior calendar year’s gross operating revenues.

As proposed, this bill does not levy new taxes or fees or authorize new State expenditures. Rather, the bill’s potential effects on the State budget would be caused by any influence on the State’s energy costs, and the extent to which the bill influences electricity demand.

This bill would also have economic effects beyond the State budget which JFO cannot estimate at this time. However, the relationship between increased electrification, electricity demand, and retail electricity rates described below may help inform consideration of these broader economic effects.

State energy costs

Electric efficiency programs decrease electricity consumption, thus lowering demand and exerting downward pressure on rates. By lowering peak electricity demand, efficiency programs also reduce the cost of grid upgrades and maintenance. Conversely, electrification of thermal and transportation fuels tends to increase demand – exerting upward rate pressure – while also incurring costs for grid upgrades to handle increased load, which are ultimately passed on to ratepayers. To the extent this bill would reduce EEU investment in demand-reducing efficiency projects and increase investment in demand-increasing electrification projects, it would exert upward pressure on electricity rates paid by the State.

However, the changes to EEU jurisdiction proposed in this bill could also exert downward pressure on electricity rates paid by the State. To the extent that more EEU investment in electrification programs would increase electricity demand without requiring upgrades to the electric grid (the cost of which is passed on to ratepayers), this could exert downward pressure on electricity rates.

It is also possible this bill would exert downward pressure on the State's total energy costs. To the extent that EEU's expanded electrification program offerings facilitate faster electrification of State buildings and transportation fleets, the State would benefit from reduced total energy costs (electricity, heating fuels, and transportation fuels) over time. However, it should be noted that electrification is just one potential activity which EEUs may undertake under the proposed expansion of jurisdiction; other authorized services may not provide the same downward rate pressure.

State revenue from the gross receipts tax on retail electricity sales and electricity provider gross operating revenues

To the extent that this bill would increase the uptake of electrification projects in Vermont, it would increase electricity demand and exert upward pressure on retail electricity rates. Together, increased electricity consumption and prices could increase State revenues collected from the monthly gross receipts tax levied on the retail sale of electricity, and revenues from the tax levied on gross operating revenues of electricity providers.