

THE RENEWABLE ENERGY BILL

H.781 Overview and Summary

Vermont state policy encourages renewable electric energy. It is good for our economy and for our energy future, and 98% of Vermonters would like to see more of it. The Renewable Energy Bill is a package of action that builds on last year's major effort and continues to move us forward.

The bill has provisions helping farmers, the Vermont Air National Guard, large employers like IBM, and the long-term interests of all electric ratepayers. It creates government efficiencies, simplifies renewable generation procedures, and tailors some current incentives.

Here are a few highlights:

- ✓ Without changing environmental standards, the bill makes the process for permitting renewable energy projects more predictable and efficient.
- ✓ The bill allows the Vermont Air Guard to develop a significant solar project through the simplified net metering process.
- ✓ The bill gives much-needed price stability to the pioneering farmers in the Cow Power program.
- ✓ Existing state solar tax incentives are reformed, both to determine costs to the Clean Energy Development Fund and to relax deadline-related pressures on the Public Service Board.
- ✓ The bill reduces the cost of meeting transformer efficiency standards, which will help IBM and other large employers in Vermont.

Sec. 1 Allowing Renewable Energy Plants < 2.2MW on Military Property to Qualify for Net Metering

The Vermont Air Guard wants to build on-site renewable energy generation to produce some of its electric power. Because its proposed solar project would be over 250 kW, it would not qualify for net metering under current rules. This provision waives the 250 kW size limit for net metering on Guard property, saving both state and federal money currently spent on electricity.

Sec. 2-3 Grandfathering ‘Cow Power’ Farmers into the new Standard Offer Law

The farmers who were early Cow Power pioneers have been hit hard by rate volatility beyond their control. This provision grants them the predictability of a fixed-price, long-term contract, which is available now to newer farm methane projects through the Standard Offer program. It sets a cost-based power-purchase rate at the level recently ordered by the Public Service Board for farm methane. The PSB is granted authority to tailor the contract price if adjustments are warranted.

Sec 4-6 Simplified Procedures for Small Renewable Energy Plants

Vermont currently has a simplified permitting and interconnection process for net metering projects under 150 kW. This bill extends those procedures to the interconnection and PSB 248 permitting of all renewable energy plants of 150 kW or less.

For renewable energy plants over 150 kW and less than 2.2 MW, the PSB is directed to develop a properly simplified interconnection and permitting procedure. For non-utility projects, the PSB is authorized to waive section 248 criteria not applicable to such a plant (for example, 30 VSA 248(b)(2) requiring analysis of alternatives). These simplified procedures are particularly needed as the PSB reviews the many section 248 applications coming into the pipeline in response to last year’s Standard Offer program. They increase procedural predictability, reduce costs, and ease pressure on the hard-working Public Service Board.

Sec 7 Broader Opportunities for Utilities to Back Standard Offer Generation

This technical correction removes existing barriers to the backing of community-sized renewable energy projects by municipal electric utilities.

Sec. 8- 10 Tailored CEDF Business Solar Tax Credit

Current law provides a state business tax credit, backed by the Clean Energy Development Fund, for solar generation investment. It matches an existing federal credit and requires projects to be commissioned by December 31, 2010. The CEDF managers have reserved funds to cover the remaining estimated cost of these credits.

In the coming months, a number of solar projects are headed into the permitting process and are counting on qualifying for this credit before the expiration date. This spike in permit applications will unduly stress a busy state agency and create a crunch in this area of planned private investment. Additionally, it makes sense to define the Clean Energy Development Fund reserves required to cover these costs so that the Fund managers can

move forward with final programming of the non-ARRA money in the Fund.

To balance the key interests of easing the permitting pressure on state government and defining the CEDF's commitment to this incentive, this provision terminates eligibility for the credit in a more tailored fashion. Projects under 2.2 MW must submit their PSB permit applications by July 15, 2010. To ease pressure on the state regulators, the final plant commissioning deadline for projects is pushed from December 31, 2010, to September 1, 2011. This allows a more reasonable completion time for projects already in the picture.

Because net metered projects can be permitted in 30 days, the current law applicable to those incentives is not changed. They must be commissioned by December 31, 2010, to qualify. These projects are much smaller in size, with a much smaller financial impact on the Fund.

Sec 11. Renewable Energy Property Tax Study Committee

Statewide, we are inconsistent in the way we assess renewable energy projects for property tax purposes. This section asks for a study and an eventual recommendation to the Legislature on the various ways in which different technologies might be taxed.

Sec 12. Definition of Renewable Energy, Hydroelectric

This removes an arbitrary size limit on the definition of "renewable" for hydroelectric generation. This would have no impact on statewide renewable energy goals through our SPEED program or on the Renewable Energy Credit (REC) market. It solidifies a positive relationship with Hydro Quebec, a major, long-term source of reliable, renewable electric power.

Sec 13. Cost Effective Transformer Efficiency Standards

This section aligns state and federal standards for medium-voltage transformers. Currently, utilities must build custom transformers in order to meet federal requirements. With this technical fix, Vermont utilities will get nearly the same level of efficiency savings while purchasing a more common and affordable piece of equipment.

Sec 14. Improved Stormwater Management Manual

The Agency of Natural Resources is revising its technical stormwater manual, which governs a wide range of development permitting. At the same time, ANR is working to comply with a 2009 legislative mandate to put in place modern requirements for high-elevation renewable energy developments. There is agreement that the current rules governing wind power projects oddly apply the same rules aimed at parking lots and roads to steep, forested areas. ANR failed to meet the deadline set for this common-sense reform last year. This provision sets a new February 2011 deadline by which the

ANR must finalize action on the entire modernization of these important, technical permitting requirements.

Sec 15-18 Renewable Energy Appeal Procedures Consolidation

Sections 15-18 bring clear definition and consistency to the permitting path for renewable energy projects that require a certificate of public good from the Public Service Board through the Section 248 process.

All renewable energy projects require a permit from the PSB. Depending on the project, they may also need permits from the Agency of Natural Resources or a municipality. Currently, if any of those other permits are appealed, the path for those appeals is less certain. They may go in several different directions and are not governed by one point of authority.

This reform consolidates any appeals with the PSB, which is already familiar with each renewable energy project through its required 248 process and has the technical expertise to consider the range of issues that may be appealed. The PSB will be best positioned to manage all permit appeal deliberations in a coordinated, fair, and efficient manner.

This bill does not change the initial jurisdiction or the standards governing state and local permits for renewable energy projects. The reform is procedural, not substantive -- the PSB would consider any appeals using the same evidence and standards as the local body or the ANR, just as the Environmental Court and Superior Court do now.

Although municipal permits for renewable energy projects have not yet seen an appeal, this language clarifies what is already in existing law -- that any appeals of municipal permits for generation projects would go to the PSB (see 30 VSA 223, 224). The language does not affect the underlying municipal authority in any way.