



H.56 | The Energy Act of 2011

Funding the CEDF through a Temporary Clean Energy Support Charge

The Clean Energy Development Fund

Renewable energy development is an economic engine in the State of Vermont, generating locally based, clean power and jobs. The Clean Energy Development Fund (CEDF) has provided the proven incentive mechanism for spurring active and rapid development in Vermont's emerging renewable energy sector. Funded primarily through State and Federal funds, the CEDF now faces a gap in funding that could bring clean energy development in Vermont to a halt.

In 2005, the Vermont General Assembly established the CEDF through Act 74 (10 V.S.A. § 6523). The goal of the Fund is to increase the development and deployment of cost-effective and sustainable electric power resources in Vermont. To accomplish this broad mission, the Clean Energy Development Fund established the following goals to guide its funding:

1. Maximize clean energy generation and energy savings
2. Leverage public and private funding
3. Accelerate economic development
4. Build clean energy infrastructure and knowledge base

The CEDF provides funding for renewable energy development through grants, contracts, loans and rebates. Recent funding highlights include:

- Farm Energy grants and loans for 20 different projects resulting in over \$6.1M of CEDF funds leveraging over \$23M in total project costs that will bring on-line over 4MW of renewable energy on farms statewide.
- The VT Small-Scale Renewable Energy Incentive Rebate Program which has resulted in the installation over 1,000 small-scale renewable energy systems throughout the state since 2003. The Incentive Rebate Program has been an instrumental component to the development of in-state renewable manufacturers like Northern Power in Barre, AllEarth Renewables in Williston and Sunward in Vergennes. Through this program, the CEDF has leveraged nearly \$4 in private capital for every \$1 invested.
- Energy Project Assistance like the Champlain College Geothermal Project in Burlington.
- Loan programs which have provided start-up capital to successful businesses like Pellerly in Montpelier and Purpose Energy with support for their digester at Magic Hat Brewery.

Economic Impacts of the CEDF

Clean energy development creates jobs in the traditional construction/manufacturing and renewable energy industries. In Vermont there are more than 300 renewable energy businesses. In addition, companies like J.A. Morrissey, Demag Cranes, Engineers Construction, Inc., NSA Industries, and Vermont construction trades are providing valuable services to Vermont's growing clean energy industry.

Kavet, Rockler & Associates recently published a study on the Economic Overview of Clean Energy Fund Expenditures since 2005. Thomas Kavet is one of the state's leading economist, who's clients include the Vermont General Assembly. In the study, published March 23, 2010, Kavet notes:

"there is no doubt that the Fund has represented a significant net economic benefit to the state, especially during a time of severe recession, employment declines and economic stress."



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Funding Background

Act 74 specified that the CEDF be funded through proceeds due to the state under the terms of two Memoranda of Understanding (MOU) between the Vermont Department of Public Service (DPS) and Entergy Nuclear VT and Entergy Nuclear Operations, Inc., and by any other monies that may be appropriated to or deposited into the Fund. Funds from Entergy Vermont Yankee have provided an average of \$6M annually for the CEDF since its inception. In 2009, Vermont was awarded over \$31 million in stimulus monies from the American Recovery and Reinvestment Act (ARRA) which were paired with state funds to provide considerable economic stimulus, resulting in \$113M in leveraged investments throughout the state.

“Clean Energy Development Fund expenditures have clearly generated a substantial and positive economic impact in the State over the past five years.”

- Kavet, Rockler & Associates, LLC

Current Funding

Entergy's payments into the CEDF under the two MOUs have averaged \$6M annually. Recent payments have declined with wholesale electricity prices. The funds provided by Entergy Vermont Yankee are set to expire in 2012. All the remaining Funds from VY due in 2011 and 2012 have been pre-committed to the State's successful Solar Business Tax Credit program. With the expiration of funding from Entergy Vermont Yankee and the end of stimulus funds, the CEDF faces a critical gap in funding that has the potential to cause renewable development in the state to come to an abrupt halt.

The Temporary Solution

H.56, the Energy Act of 2011, establishes a temporary Clean Energy Support Charge to bridge the funding gap until a permanent new source for the CEDF is found. The proposed monthly charge of 55 cents per utility customer would raise about \$2.3 million annually for three years, providing the predictable resources necessary to support locally generated renewable power and jobs for Vermonters across the state.

“Total CEDF project-related nameplate electrical output should exceed 14MW when completed, in addition to projects that also provide thermal heating output in tandem with or instead of electric power. The funding of these projects also helps stimulate local expertise and manufacturing demand in the growing area of 'green energy' development. This could lead to future export-based growth in this important emerging economic sector and concomitant job-growth in the State.”

- Kavet, Rockler & Associates, LLC