

Renewable Energy Vermont PO Box 1036 Montpelier, VT 05602

VIA EMAIL

Susan M. Hudson, Clerk Vermont Public Service Board 112 State Street Montpelier, VT 05620-2701 June 10, 2011

Re: RPS Workshop — Response to Board Memorandum dated June 3. 2011

Dear Ms. Hudson,

The SPEED program has helped to develop renewable energy projects in Vermont, adding in-state renewable energy generation to Vermont's energy portfolio while stimulating the economic activity associated with such development, including job growth. However, the SPEED program alone has not provided a sufficient mechanism for effectively reducing overall greenhouse gas (GHG) emissions.

We believe the development of a strong Vermont-based renewable portfolio standard (RPS) is an appropriate tool that can work in conjunction with other state programs and policies to help the state reach its carbon reduction and renewable energy targets. We urge the board to consider developing an overall goal of carbon reductions of 80% by 2050. Considering that global climate change due to carbon pollution represents a critical and overarching crisis, we believe an RPS mandate can work with a revised SPEED program to help meet these carbon reduction goals while also spurring the development and added economic value of in-state renewable energy generation. As such, the PSB should consider an RPS program with target scenarios of 80 percent and 100 percent by 2032.

REV recommends that in-state renewable energy development be a paramount guiding principle in the analysis of how to incorporate a Vermont-based RPS with our existing programs. That said, an RPS could also help increase the renewable energy content of a utility's out of state power contracts. Excluding Hyrdo Quebec (which is now defined as renewable), an RPS could be adopted that applies to certain size plants or utility power purchases.

Considering that the bulk of Vermont's energy needs are non-electric, carbon reduction goals must be met via fuel switching. The state's thermal and transportation needs, met almost entirely through fossil fuels account for 61% of total energy consumed. Real GHG (greenhouse gas) emissions savings therefore will come from fossil fuel displacement in both the thermal and transportation sectors. Considering the market volatility of fossil fuel prices over the long run, increases in the cost of fossil fuel will drive the demand for both electric generation and the efficient use of biomass as a primary sources of energy in Vermont. We recommend that that the associated cost

savings and carbon benefit of fuel switching to a renewably powered electric portfolio should be part of the Board's analysis.

In addition, REV requests that any modeling performed in the study should include a full accounting of the economic benefits of renewable energy development, including jobs, manufacturing and other related economic activity. Renewable energy does not represent a low-cost alternative to the present supply options, but we believe that the longer term economic and environmental benefits associated with local, sustainable sources of energy exceed the short term, higher cost investment. We make the assumption that the transition to renewable sources of energy is inevitable, recognizing that fossil fuels are both finite resources in the long term and a direct cause of our current climate crisis in the short term.

Vermont took leadership with the Standard Offer program in 2009 by creating the first-in-the-nation state legislated feed-in tariff program. REV does not consider the adoption of an RPS and the expansion of the Standard Offer Program as mutually exclusive. Long-term power purchase contracts, as achieved with the Standard Offer program allow a guaranteed rate of return for an extended period of time. Properly structured, the power purchase contract extends through the financing period of a plant. This achieves the dual benefits of extremely stable power pricing (no fuel spikes) and providing the price certainty that is necessary to finance the development of larger renewable energy plants. We recommend that your analysis considers increases in distributed renewable generation developed through expansion of Vermont's Standard Offer program.

The Standard Offer program targets distributed generation plants built in Vermont and provides in-state jobs and economic benefits. We believe therefore the Standard Offer program needs to be kept and expanded regardless of whether an RPS is adopted in Vermont. The purpose of an RPS is to ensure rapid deployment of renewable energy development. Therefore, an RPS in Vermont should include the strengthening and expansion of Vermont's Standard Offer program including an expanded cap and increased rates. RECs from the Standard Offer program should count toward an RPS if adopted, and not be sold out of state as is now happening.

Finally, in other states, the volatility of REC prices and frequent changes to RPS structures are major issues that have undermined the effectiveness of RPS programs. If Vermont adopts an RPS, we believe the design needs to address these issues and be a part of our larger state energy policy, not become the de-facto energy policy.

Thank you for the opportunity to provide comments.

Sincerely,

Scott Merriam

Interim Executive Director Renewable Energy Vermont

cc: Electronic Service List