Appendix D: Small Hydropower Assistance Program, Vermont Village Green Program, and Fuel Efficiency Fund Activity

Vermont Small Hydropower Assistance Program

The Vermont Small Hydropower Assistance Program (VSHAP) was established to determine whether hydropower projects might qualify as "low impact" and help such projects navigate the *state resource agency components* of the federal process to obtain a permit (called a license or exemption) from the Federal Energy Regulatory Commission (FERC). FERC permits are required for projects that affect interstate commerce (by virtue of connecting to the grid). FERC must also meet obligations under the federal Clean Water and National Historic Preservation Acts, in part through consideration or inclusion of recommendations or conditions from the state resource agencies dealing with environmental and historical resources.

The VHSAP program, which was developed by the Department, Agency of Natural Resources, and Agency of Commerce and Community Development in response to Act 165 of 2012, was designed to help identify low-impact hydropower projects through a two-state process of desktop review followed by a site visit. Projects screening as low-impact would receive agency support where possible (for instance, agreeing to waive scooping periods in the FERC process and/or representing to FERC that agency concerns have been satisfied). The voluntary program was available through 2022, at which point it was discontinued by the Department. As discussed in the 2023 Annual Energy Report, the program, which did not provide additional capacity to the Department, ANR, or ACCD, required considerable time and effort to be reallocated from other core state agency functions for little to no gain in hydropower capacity. To the Department's knowledge, none of the projects that engaged under VSHAP were ultimately constructed. Applicants expected state staff to either make FERC requirements disappear, to provide nonexistent funding, or to otherwise handhold them through every aspect of their FERC application, from studies to writing application documents. To the extent the legislature is interested in facilitating small hydropower development, the most helpful assistance would be to provide funding directly to hydropower developers to assist them in hiring consultants to complete studies and to develop and submit FERC license applications.

The PSD recommends deleting the reporting requirement for the Vermont Small Hydropower Assistance Program in 30 VSA § 202b, as the report will be the same every year (the program has been discontinued) and is thus not a productive use of staff time.

Vermont Village Green Program

No activity occurred in this program in 2023. Funding does not currently exist for this program.

In 2009, the Legislature enacted Chapter 93 of Title 30 to promote the creation of "Vermont village green renewable projects." These were defined as district heating, either with or without district power, to serve a downtown development district designated as such pursuant to 24 V.S.A. § 2793 or a growth center designated as such pursuant to 24 V.S.A. § 2793c. Under §8105(b), the Department of Public Service (PSD) shall submit a report to provide an update on progress made in the development of the Vermont village green renewable projects authorized under this chapter. The report is to also include an analysis of the costs and benefits of the projects as well as any recommendations consistent with the purposes of this chapter.

Report on Activities in the Program

In 2012 the City of Montpelier applied for and achieved certification for their downtown district heating system as a Vermont village green renewable energy project. The district heating system supplies heat to City buildings, the federal building, and privately held buildings in Montpelier. The system receives heat from the State's woodchip-fueled heating plant, which also supplies heat to the State House and most of the State's buildings in Montpelier.

Certification allowed the Montpelier system to be eligible for $100,000 in incentives from the Clean Energy Development Fund as described in §8102. In 2014. Montpelier applied for and was awarded $100,000 that the city could use for subgrants to building owners for costs to interconnect to the City's district heating system. In 2015, the City provided the PSD a final report and grant invoice for the interconnection sub-grants that it had made to building owners.

After the close-out of the Montpelier grant the full $100,000 required to be used as incentives by the CEDF in support of the Vermont Village Pilot Project was expended and no further activities in the program have occurred since.

Costs & Benefits

The $100,000 granted to Montpelier was a successful and cost-effective grant. The $100,000 of sub-grants leveraged $797,832 of private funds invested in the plumbing, heat meters, and heating system retrofits necessary to interconnect to the City's district heating system.

Providing the sub-grants allowed more buildings to interconnect to the City's system sooner than otherwise. These interconnected buildings provide needed revenue to the City's system making the entire system successful. A further benefit was the fossil fuel and likely cost savings realized from the thirteen buildings converting to the district heating system.

Recommendations

With the $100,000 allocated for incentives in the program fully expended eight years ago and with the CEDF is providing support for advanced wood heating (including district heating) projects, there is no need for the Vermont Village Green Pilot Program to exist in statute.

The PSD recommends deleting Chapter 93 from V.S.A. 30. If the entire Chapter 93 is not deleted the PSD recommends deleting the reporting section § 8105, unless changes are made to the Chapter, as the report will be the same every year and is thus not a productive use of staff time.

Fuel Efficiency Fund

Per 30 V.S.A. § 203a, the Fuel Efficiency Fund "shall contain such sums as appropriated by the General Assembly or as otherwise provided by law, in addition to revenues from the sale of credits under the RGGI cap and trade program as provided for under section 255 of this title." However, Section 209(e)(B) in Chapter 30 was revised and now states that revenue above cost from the sale of RGGI credits shall be deposited into the **electric efficiency fund** ("Net revenues above costs from the sale of carbon credits under the cap and trade program established under section 255 of this title, which shall be deposited into the Electric Efficiency Fund established by this section.") Therefore, there are currently no monies in the Fuel Efficiency Fund.

The PSD recommends deleting section 203a from V.S.A. 30. If the section is not

deleted the PSD recommends deleting the reporting requirement for the Fuel Efficiency Fund in 30 VSA § 202b, as the report will be the same every year (there are no monies in this fund) and is thus not a productive use of staff time.