

# Administrative Procedures – Economic Impact Analysis

## Instructions:

In completing the economic impact analysis, an agency analyzes and evaluates the anticipated costs and benefits to be expected from adoption of the rule; estimates the costs and benefits for each category of people enterprises and government entities affected by the rule; compares alternatives to adopting the rule; and explains their analysis concluding that rulemaking is the most appropriate method of achieving the regulatory purpose.

Rules affecting or regulating schools or school districts must include cost implications to local school districts and taxpayers in the impact statement, a clear statement of associated costs, and consideration of alternatives to the rule to reduce or ameliorate costs to local school districts while still achieving the objectives of the rule (see 3 V.S.A. § 832b for details).

Rules affecting small businesses (excluding impacts incidental to the purchase and payment of goods and services by the State or an agency thereof), must include ways that a business can reduce the cost or burden of compliance or an explanation of why the agency determines that such evaluation isn't appropriate, and an evaluation of creative, innovative or flexible methods of compliance that would not significantly impair the effectiveness of the rule or increase the risk to the health, safety, or welfare of the public or those affected by the rule.

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### 1. TITLE OF RULE FILING:

**Vermont Appliance Efficiency Standards**

### 2. ADOPTING AGENCY:

Vermont Department of Public Service

### 3. CATEGORY OF AFFECTED PARTIES:

*LIST CATEGORIES OF PEOPLE, ENTERPRISES, AND GOVERNMENTAL ENTITIES POTENTIALLY AFFECTED BY THE ADOPTION OF THIS RULE AND THE ESTIMATED COSTS AND BENEFITS ANTICIPATED:*

Some designers and manufacturers of the seventeen types of appliances and equipment covered by Act 139, as well as wholesalers, retailers and consumers of such products are affected by this rule. The benefits of these standards include fulfilling the goals articulated in 9. V.S.A. § 2792, which among other things, enable Vermonters to save money on utility bills, save energy and thus reduce pollution and

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associated environmental impacts, increase reliability of the electric grid and contribute positively in numerous ways to the Vermont economy. Adoption of this rule is anticipated to have minimal impact on costs to the manufacturing sector because most covered products are already being manufactured in compliance with the standards in this rule and the additional costs are reflected in the market prices paid by consumers. It is difficult to gauge the effect on sales of these products once the less efficient versions of each are no longer available, however, purchase of these higher tier products will result in real and substantial energy and water cost savings for consumers of these products, as summarized in Table 1 presented in Attachment A. Reduced spending on energy and water bills boosts the local economy since consumers and businesses spend most of the savings on other goods and services.

### 4. IMPACT ON SCHOOLS:

*INDICATE ANY IMPACT THAT THE RULE WILL HAVE ON PUBLIC EDUCATION, PUBLIC SCHOOLS, LOCAL SCHOOL DISTRICTS AND/OR TAXPAYERS CLEARLY STATING ANY ASSOCIATED COSTS:*

Costs for certain products such as Computers and monitors, showerheads, commercial steam cookers, water coolers, commercial dishwashers and hot food holding cabinets used by schools will likely increase for schools that are not already purchasing higher efficiency versions, however the energy and water savings resulting from these higher efficiency products will more than pay for the added purchase cost over time.

### 5. ALTERNATIVES: *CONSIDERATION OF ALTERNATIVES TO THE RULE TO REDUCE OR AMELIORATE COSTS TO LOCAL SCHOOL DISTRICTS WHILE STILL ACHIEVING THE OBJECTIVE OF THE RULE.*

Assuming that all schools will continue to purchase the products listed above, the alternative to this rule is to allow lower efficiency versions of these appliances and equipment to be purchased. This would likely result in a slightly lower first cost, but will result in substantially higher fuel, electricity and water costs

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for schools which outweigh the benefits of a lower purchase price.

### 6. IMPACT ON SMALL BUSINESSES:

*INDICATE ANY IMPACT THAT THE RULE WILL HAVE ON SMALL BUSINESSES (EXCLUDING IMPACTS INCIDENTAL TO THE PURCHASE AND PAYMENT OF GOODS AND SERVICES BY THE STATE OR AN AGENCY THEREOF):*

Small retail or wholesale establishments which sell these particular seventeen products will be limited to higher efficiency versions of each under this rule. Assuming that demand for these product categories remains relatively constant, sales may go down slightly due to the expected higher prices, but the profit margin for vendors is likely to increase proportionally. It is difficult to predict which of these market effects will outweigh the other for specific products. For small businesses that purchase and use these products, the up front costs for these products are likely to increase, however the fuel, electricity and water savings resulting from these higher efficiency products will more than pay for the added purchase cost over a short period of time.

### 7. SMALL BUSINESS COMPLIANCE: *EXPLAIN WAYS A BUSINESS CAN REDUCE THE COST/BURDEN OF COMPLIANCE OR AN EXPLANATION OF WHY THE AGENCY DETERMINES THAT SUCH EVALUATION ISN'T APPROPRIATE.*

Small retail or wholesale establishments which sell these particular seventeen products will be able to source these products from manufacturers, suppliers and distributors which are already providing products that meet these standards in Vermont and other jurisdictions. For small businesses that purchase these products, assuming that retail and wholesale vendors comply with the standards, availability of products will be limited to those that comply with the standards in this rule. The PSD is not aware of any manufacturers of these products in Vermont. The PSD is working with the Northeast Energy Efficiency Partnership (NEEP) to provide a database of qualifying products for small businesses and other consumers to utilize for compliance with the rule.

### 8. COMPARISON:

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*COMPARE THE IMPACT OF THE RULE WITH THE ECONOMIC IMPACT OF OTHER ALTERNATIVES TO THE RULE, INCLUDING NO RULE ON THE SUBJECT OR A RULE HAVING SEPARATE REQUIREMENTS FOR SMALL BUSINESS:*

As discussed above with respect to schools, assuming that consumers will continue to purchase the products covered by this rule, the alternative to this rule is to continue the status quo and allow the current lower efficiency versions of these products to be purchased (i.e. no rule). This may result in a slightly lower first cost for purchasers, but will result in substantially higher fuel, electricity and water costs which will outweigh the benefits of a lower purchase price.

### **9. SUFFICIENCY: EXPLAIN THE SUFFICIENCY OF THIS ECONOMIC IMPACT ANALYSIS.**

This economic impact statement describes the expected economic effects of the rule on small businesses, schools and general consumers of the seventeen products covered by the rule. Although it is difficult to predict short term and product-specific effects, the overall positive economic impact of appliance and equipment efficiency standards has been shown repeatedly in other states and nationwide.