

2024



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# **FISCAL YEAR 2024 ANNUAL PROGRAM PLAN & BUDGET**

FOR THE YEAR JULY 1, 2023 to JUNE 30, 2024

## **EXECUTIVE SUMMARY**

The fiscal year (FY) 2024<sup>1</sup> plan and budget for the Clean Energy Development Fund (CEDF or Fund) is primarily a continuation of existing programs and grants from FY 2023. There are no new programs or incentives planned for FY24.

Activities of the CEDF will include administering the remainder of the \$15 million in American Rescue Plan Act (ARPA) funds that were appropriated to the Department of Public Service (PSD) in FY22 and '23 to be allocated by the Clean Energy Development Board (\$5M) or were to be expended by the PSD “consistent with the parameters of the Clean Energy Development Fund” (\$10M for an Affordable Community Renewable Energy Program for low-income Vermonters).

While the CEDF is involved in the ARPA funded programs no ARPA funds were appropriated to the CEDF and thus do not show on the Fund’s Budget (see Appendix A). Thus, this plan and budget only pertain to the funds in the CEDF. However, Appendix B provides a list of ARPA and other federally funded programs that the CEDF is administering.

For FY24 no new funds were appropriated to the CEDF. The FY24 funds available to the CEDF are carry-over funds from prior fiscal years, interest payments, plus payments made to the CEDF from borrowers of CEDF loans. These funds include State appropriated CEDF funds as well as the federal America Recovery and Reinvestment Act (ARRA) dollars allocated to the CEDF.

The CEDF programs that are continuing into FY24 are aligned with CEDF’s strategic goal of building the advanced wood heating market in Vermont. The PSD is proposing a FY24 Budget for the CEDF of \$1,278,907. The expenditures are for existing incentives focused on growing Vermont’s advanced wood heating market, specifically for local bulk wood pellets.

The CEDF will continue to foster a maturing and expanding local advanced wood heating market in Vermont to order to:

- Strengthen its sustainable forest products and clean energy industries,
- Create new employment and economic investment,
- Decrease the use of fossil fuels, and
- Keep heating dollars local.

The CEDF will also continue to provide funding to support the removal of old coal heating systems still in use in Vermonters’ homes and businesses with an additional incentive if they replace the coal system with an advanced pellet or dried wood chip heating system.

While the FY24 plan continues the CEDF’s work to build the market and use of advanced wood heating in Vermont the Clean Energy Development Board (or “Board”) will continue to review the greenhouse gas (GHG) emissions of wood heating and whether the CEDF should make changes to its programs and/or to its strategic focus on wood heating.

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<sup>1</sup> July 1, 2023, through June 30, 2024

## **The Future of the CEDF**

The CEDF is required to update its strategic plan every five years, which would require a new plan to be issued in 2023. However, with the CEDF no longer receiving dedicated funding and its existing funds not likely sufficient to maintain incentives and administrative capacities beyond FY24, a five-year strategic plan is not seen by the CEDF as the best use of staff or Board members' time and effort. Furthermore, Act 125 of 2023 sunsets the Board in 2027. Under Act 125 in July of 2027 the CEDF will continue as part of the PSD, but the Board will be dissolved and control and responsibility of any remaining CEDF funds would rest entirely with the PSD under the authority of the PSD Commissioner.

If funds or responsibilities are given to the CEDF in the future, the sunsetting of the Board could be reconsidered and a five-year strategic plan developed.

## **PURPOSE OF THE ANNUAL PROGRAM PLAN and BUDGET**

The purpose of the Annual Program Plan is to describe the initiatives and programs that the CEDF will pursue during the fiscal year and to establish an annual budget for the expenditure of CEDF and federal funds under CEDF control.

The Annual Program Plan and associated budget represent CEDF's efforts to effectively use its funds to meet the legislated purpose of the CEDF as embodied in CEDF's goals and objectives, and as outlined in the CEDF's multi-year strategic plan.

## **MANAGEMENT & GOVERNANCE**

Administration of the CEDF is laid out in Title 30 § 8015 of the Vermont Statutes. The statute assigns day-to-day administration of the CEDF to the Public Service Department. The Board has authority to review and approve CEDF plans, budget, and program designs of projects that are granted CEDF funding and advises the PSD on the administration of the CEDF and the implementation of its statutory mission. The day-to-day operations of the CEDF are carried out by a Fund Manager, who is a PSD employee and reports to the Director of Regulated Utility Planning.

The Board consists of seven appointees: three appointed by the PSD Commissioner, two by the Chair of the Vermont Senate Committee on Natural Resources and Energy, and two by the Chair of the Vermont House Committee on Environment and Energy. Board terms are four years in length.

The current Board members, the authority that appointed each member, and the year each member's term expires (*terms end on June 30th*) are:

- Kate Desrochers, House Energy Committee Chair, 2023
- Sam Swanson, Board Chair, PSD Commissioner, 2023
- Paul Zabriskie, Senate Energy Committee Chair, 2023
- David Farnsworth, PSD Commissioner, 2025
- Johanna Miller, House Energy & Technology Committee, 2025
- Ken Jones, Senate Energy Committee Chair, 2025

- Cara Robechek, Board Vice-Chair, PSD Commissioner, 2025

The appointing authorities will either re-appoint current members or appoint new members to fill vacant positions on the Board in FY24.

**VISION, GOALS AND OBJECTIVES**

To guide its decisions, the CEDF adopted a multi-year strategic plan in 2018. The strategic plan promotes the development and installation of cost-effective and environmentally sustainable renewable energy resources for the long-term benefit of Vermonters. The FY24 plan and budget is built to further the goals of the 2018 strategic plan. The CEDF’s vision and supporting goals from the 2018 strategic plan are shown in Figure 1.

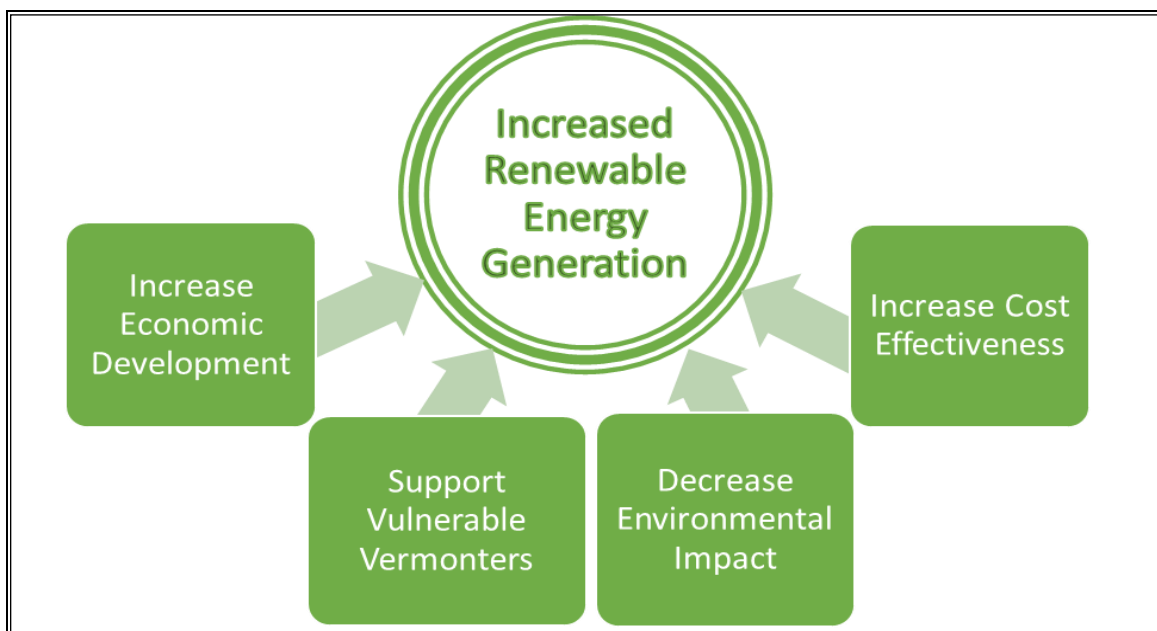


Figure 1. CEDF’s four goals in support of its mission of increased Renewable Energy Generation.

**FISCAL YEAR 2024 REVENUES**

The CEDF budget consists of CEDF and American Recovery and Reconstruction Act (ARRA) funds. ARRA funds are accounted for separately but are included in the overall CEDF FY24 budget.

Total funds budgeted for FY24 equal \$1,287,907. Revenue generated by the CEDF for FY24 is projected to be \$67,500. This revenue consists of interest payments from CEDF’s cash balances and principal and interest payments on loans made by the CEDF. The Vermont Economic Development Authority (VEDA) administers CEDF’s two remaining loans. There is one remaining CEDF loan with a balance at the end of FY23 of ~\$250,000 and one ARRA funded loan with a balance of \$750,000. See Appendix A for more details on the FY24 revenue.

## **OVERVIEW OF PROGRAM PLAN & BUDGET**

The FY24 plan is to maintain current programs and technological focus on advanced wood heating (AWH). The CEDF made this decision after examining past program data, the level of the AWH market development, progress towards CEDF goals for each dollar invested, and the funding available.

The CEDF has chosen advanced wood heating as its focus due to its many benefits that support CEDF's four primary goals. The benefits of advanced wood heating include:

- Keeping dollars spent on heating fuel in the local economy,
- Reducing the use of fossil fuel,
- Supporting and building local businesses and a wood heating economic sector in Vermont,
- Helping to maintain Vermont's forests and working landscape,
- Creating and maintaining a diverse set of jobs ranging from those working in the forest to those selling pellets and installing heating systems,
- Building on and supporting the forestry products manufacturing sector in Vermont,
- Reducing wood heating emissions,
- Improving heating resiliency,
- Lowering heating costs,
- Decreasing heating fuel price volatility,

The CEDF defines advanced wood heating as wood heating that: 1) utilizes highly efficient combustion technology, 2) produces low levels of emissions, 3) supports healthy forest ecosystems, and 4) consumes local wood. For the CEDF to meet its goals it is important that all four of these conditions of advanced wood heating are built into program designs.

What is considered "highly efficient", a "low level of emissions", a "healthy forest ecosystem", and "local wood" will evolve with technology improvements and other factors affecting Vermont's forests. The CEDF and its CED Board will continue to be involved in the discussions around the use of wood for energy and the greenhouse gas emissions of wood combustion for heat or power.

The CEDF will update its wood heat requirements periodically so that they are always leading the wood energy market to become more efficient and emit less. Currently CEDF's incentives for central pellet heating systems (mainly pellet boilers) require that the systems have at least an 85% efficiency rating (80% for wood chip systems) and have the best available emission control technologies that limit particulates to no more than a 0.1 lb./Million Btu output.

The CEDF believes that advanced wood heating can have a positive carbon emission impact through sustainable forest management practices that ensure long-term forest health, biodiversity, carbon storage (both in the forests and in wood products), and reduction of fossil fuel use. To help ensure this is the case, the CEDF will emphasize the use of local wood, such as wood primarily coming from a fifty-mile radius woodshed from where it is consumed. Using local wood makes it more possible for the State to sufficiently monitor and manage the forest resource used for wood heat. The CEDF is committed to working with the Vermont Department of Forest and Parks (and other stakeholders) to promote sustainable harvesting practice for forest management in Vermont.

CEDF will continue to work collaboratively with Efficiency Vermont (EVT) on incentives for advanced wood heating. The CEDF will seek to work with others to build consumers' awareness of advanced wood heating options and local wood heating businesses. The CEDF will work for continued increases in advanced wood heating installations and progress towards the goal of a self-sustaining market of equipment providers and local fuel suppliers for advanced wood heating in Vermont.

The Fund will continue to fund the Small-Scale Renewable Energy Incentive (SSREI) Program as the primary program to promote advanced wood heating. The program will continue to grow the bulk pellet sector of the wood heating market in Vermont through incentives for pellet bins, coal heating change-outs, and pellet boilers/furnaces.

The CEDF will maintain its collaboration with the many organizations working on promoting wood heating in Vermont and New England such as the State Wood Energy Team, the Biomass Energy Resource Center, the Vermont Sustainable Jobs Fund, the Northern Forest Center, and state and federal governmental agencies.

## ***DESCRIPTION OF PROGRAMS***

The following description of CEDF programs provides details on the Fund's programs the Fund will support in FY24, programs outlined in the budget summary outlined in Appendix A.

### **Windham County Programs**

For FY24 \$330,792 is budgeted for the Windham Wood Heat Initiative administered by the Windham Regional Commission.

For several years the Windham Regional Commission has led a collaborative effort to build an advanced wood heating market in Windham County from the ground up. The Commission plans to grant remaining funds available in FY24 to municipalities, public schools, or non-profit public serving institutions in support of new advanced wood heating systems. The program has tentative grants in place for two large and complicated projects and will be working for the next year to get grant agreements in place as the details and funding for the projects are further developed.

### **Small Scale Renewable Energy Incentive (SSREI) Program**

The SSREI Program will continue in FY24 with an allocation of \$555,460. These CEDF and ARRA funds will provide market-based incentives to home and business owners to install advanced wood heating systems and bulk pellet bins. Of the total allocated to the SSREI Program just over \$72,000 of CEDF funds will be used for the biodiesel incentive that was started with ARPA funds in FY23 but was not able to fully become operational before the ARPA funds ran out end of the 2022-23 heating season. The CEDF funds will allow the program to run through the 2023-24 heating season.

The SSREI Program has proven to be an effective policy tool to grow the residential and small commercial small-scale renewable energy technologies in a widely distributed and accessible manner. The SSREI Program has developed an effective record of providing market-based, cost effective, simple program services with open and transparent access. Accordingly, the SSREI Program remains a key component of the CEDF Program Plan.

The funds budgeted for the SSREI Program support program administration, incentives for the installation of residential and commercial pellet boilers, and an additional incentive for businesses and homeowners that heat with coal to switch to pellets.

The SSREI Program will continue to be administered by the Renewable Energy Resource Center<sup>2</sup> (RERC) for FY24. The RERC is a division of the Vermont Energy Investment Corporation and was awarded the contract to administer the SSREI Program in a competitive bid process in 2021.

### **SEMP Expansion Grant to the Department of Buildings and General Services**

In FY 2021 the CEDF signed a Memorandum of Understanding (MOU) with the Department of Building and General Services (BGS) to provide up to \$300,000 of federal ARRA funds for BGS to hire the staff necessary for the expansion of their State Energy Management Program (SEMP) to support municipalities in making their buildings more efficient and to transition to renewable fuels.

Due to the Covid-19 Pandemic and other factors, BGS was not able to hire the staff to expand the program as originally planned. The MOU expires at the end of FY23. As of the end of April 2023 only ~\$30,000 of the \$300,000 had been expended. Given the lack of funds available to the CEDF and other funds made available to BGS after the CEDF-MOU was signed, the CEDF has proposed to BGS that the MOU be amended to lower the funds to be supplied by the CEDF to a maximum amount of \$150,000 total and to extend the MOU to the end of FY24.

### **Vermont Clean Energy Industry Report**

The Fund has budgeted \$10,000 for the development, management, and publication of the tenth annual Vermont Clean Energy Industry Report (VCEIR) in FY24. The Fund will continue to use the report to gauge the effectiveness of State clean energy policies and incentives in growing the clean energy sector of the economy.

The report's data and analysis of Vermont's Clean Energy Industry provide specific market information that is helpful to the Fund, State agencies, and the Vermont legislature. The data collected in Vermont is part of a multi-state effort to gather this data across the country.

### **CEDF Administration & Program Management**

In FY24 the budget for program administration and management is just over \$140,000. These funds will cover the salary and benefits of the CEDF Fund Manager, as well as other staff costs incurred by the PSD for the administration of CEDF programs. These funds will not cover any additional staffing or administrative costs associated with the ARPA funds appropriated to the PSD.

A portion of these funds may be used to pay the CEDF Fund Manager for hours worked on renewable energy programs and planning activities at the PSD. As the CEDF programs and grants end and there is less CEDF work for the Fund Manager the PSD may assign clean energy tasks to the CEDF Fund Manager. In FY24 these tasks will include work related to the ARPA

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<sup>2</sup> [www.rerc-vt.org](http://www.rerc-vt.org)

funds appropriated to the PSD for clean energy programs and renewable energy program reporting.

**Loan Servicing Fees**

The CEDF has budgeted \$11,820 for payment to Vermont Economic Development Authority (VEDA) to service two remaining CEDF loans. The fees are based on a \$900 per quarter flat fee plus 1% of the outstanding balance of all loans VEDA is servicing for the CEDF.

**ACTIVITIES AS PART OF THE PUBLIC SERVICE DEPARTMENT**

As part of the PSD, the CEDF will continue to be a resource for the PSD on renewable energy matters. In FY24 this will include working on programs to be funded with ARPA dollars appropriated to the PSD that reference the CEDF. Appendix B below provides a list of the ARPA funded programs that the CEDF is managing as part of the PSD.

In addition, the CEDF will build upon its current role as a resource for the PSD regarding renewable energy technologies, policy, and incentive program design. In doing so, the CEDF strengthens interagency relationships, coordination, and program leveraging to help generate collective benefits from increased renewable energy such as economic development, affordability, and the reduction of energy poverty.

The CEDF has public engagement and technical analysis capabilities that will assist the PSD as it conducts a public review and analysis process of Vermont’s renewable energy standard and other renewable energy policies and programs.



### Appendix A

<b>Fiscal Year 2024 Budget</b>			
<b>Carry Forward and Estimated Revenue</b>	<b>Total FY '24 Draft Budget \$</b>	<b>\$ CEDF Portion</b>	<b>\$ ARRA Portion</b>
Carry Forward/Fund Balance	1,214,041	734,841	479,199
Loan Repayments (P&I)	52,500	45,000	7,500
CEDF Interest	15,000	10,000	5,000
<b>TOTAL FY '24 Estimated Funds</b>	<b>1,281,541</b>	<b>789,841</b>	<b>491,699</b>
<b>FY 24 Program Allocations &amp; Expenses</b>			
		Breakdown of Total	
<b>Programs</b>	<b>FY24 \$</b>	<b>FY24 \$ CEDF</b>	<b>FY24 \$ ARRA</b>
Windham County Program	330,792	330,792	-
Small-Scale RE Incentive Program (SSREIP)	555,460	302,798	252,662
SSREIP Administration Contract	99,729	24,729	75,000
SEMP Expansion Grant to BGS (\$150K/yr. for 2 years)	120,304	-	120,304
Vermont Clean Energy Industry Survey	10,000	10,000	-
Completion of 2023 Advanced Wood Heating Assessment Report	10,403	-	10,403
Program Management and Administration	140,400	126,000	14,400
Loan Servicing Fees	11,820	3,420	8,400
<b>Budget Totals for FY 2024</b>	<b>1,278,907</b>	<b>797,738</b>	<b>481,169</b>

## Appendix B – Federal Programs

### American Recovery Plan Act & Other Federally Funded Programs Managed by the CEDF

While the CEDF is involved in the planning, development, and administration of the ARPA funded programs no ARPA funds were appropriated into the CEDF. Thus, this plan and budget did not provide details on those funds. This appendix is to provide a list of what ARPA, and one other federally funded, programs the CEDF, as part of the PSD, is managing.

The CEDF is coordinating the following four ARPA funded programs:

1. **The Affordable Community Renewable Energy Program for low-income Vermonters** (\$10 million).

This is also known as the low-income community solar program. The program has been in design since 2021. Design of the program was finalized in the Summer of 2022 and an RFP to the distribution utilities was issued. The utilities will use grant funds to operate separate community renewable energy programs for the benefit of low-income customers. In FY24 the grant agreements to the participating distribution utilities will be completed and most of the programs should start to provide benefits to Vermont low-income households.

2. **Small-Scale Renewable Energy Program (SSREIP) Adders for Low- and moderate-income Households**

The \$1M in ARPA funds allocated to this program were almost entirely expended in FY23. Over \$600,000 of the \$1 million allocated to this program was used for wood stove change-out incentives. In FY24 the remaining ARPA funds in this program will be paid out for incentive vouchers issued in FY23.

3. **Aid to Impacted Industries** (*businesses in the hospitality or tourism sector - \$25,000*)

After a competitive grant solicitation was released only one entity received and excepted a grant in this program. The grant is for HVAC control improvements to increase the energy efficiency of a hotel's HVAC system.

4. **Advanced heating grants to high-poverty school districts** (\$3.75 million)

This program was re-named the SHARE (School Heating Assistance with Renewables and Efficiency) program in FY23. Grants to lower heating fuel costs with new (and repairs to existing) clean heating/HVAC systems (pellets, chips, biodiesel, efficient electric systems). Grants to cover 50-90% of project costs based on a sliding scale of the percentage of students in the school eligible for the federal free and reduced priced lunches program. The maximum grant is \$250,000.

In the FY24 Budget as passed by the Vermont legislature there was \$2M of state funds appropriated to the PSD for the SHARE program to provide grants to schools for needed repairs of existing wood chip heating systems or to convert to wood heating system.

The CEDF is also coordinating the following Department of Energy grant awarded to the PSD:

**Renewable energy for schools and municipalities grant** (\$1 million).

This is a grant to the PSD from the US Department of Energy that was a result of a Congressional directed expenditure initiated by US Senator Bernie Sanders. The funds will be granted to 5-20 schools and municipalities for solar electric, advanced wood heating, and/or efficient air or ground sourced heat pumps. The CEDF will coordinate this grant program with the SHARE program as well as with the State Energy Management Program (SEMP) that is providing grant support to municipalities.