

Request for Public Comment

From: Clean Energy Development Fund, Public Service Department, and the Clean Energy Development Board
Date: 11/09/20
Re: Future of the Vermont Clean Energy Development fund

The purpose of this letter is to provide information regarding the Clean Energy Development Fund (CEDF) to the Vermont public and to solicit comments about the future of the CEDF.

The CEDF successfully designed and administered clean energy incentives and market development programs for the last thirteen years, but it will not have sufficient funds to meaningfully exist after the bulk of its existing funds are expended over the next one to two years. The Department of Public Service, though its Clean Energy Development Fund and the appointed Clean Energy Development Board, are investigating options for the CEDF including the possibility of shutting it down, and to solicit public comments and ideas regarding the future of the CEDF.

Background

In considering CEDF's future it is helpful to review CEDF's past. The creation of the CEDF in 2006 stemmed from agreements to allow Entergy to increase the power capacity (the "uprate") of the Vermont Yankee (VY) power plant and, soon after, to allow the plant to store the plant's spent nuclear fuel on site in dry casks.

Since 2006 the CEDF has invested over \$45.6 million in the development of clean energy in Vermont, \$36.48 million of which came directly from Entergy VY and another \$4.3 million came indirectly from Entergy through the State's General Fund. The VY plant shut down permanently at the end of 2014, and the final payment from Entergy to the CEDF of \$5.3 million was made the same year.

Since the last Entergy VY payment to the CEDF a new funding source for the CEDF has not been established. The Legislature has made appropriations to the CEDF in two of the last six fiscal years for a total just over \$500,000.

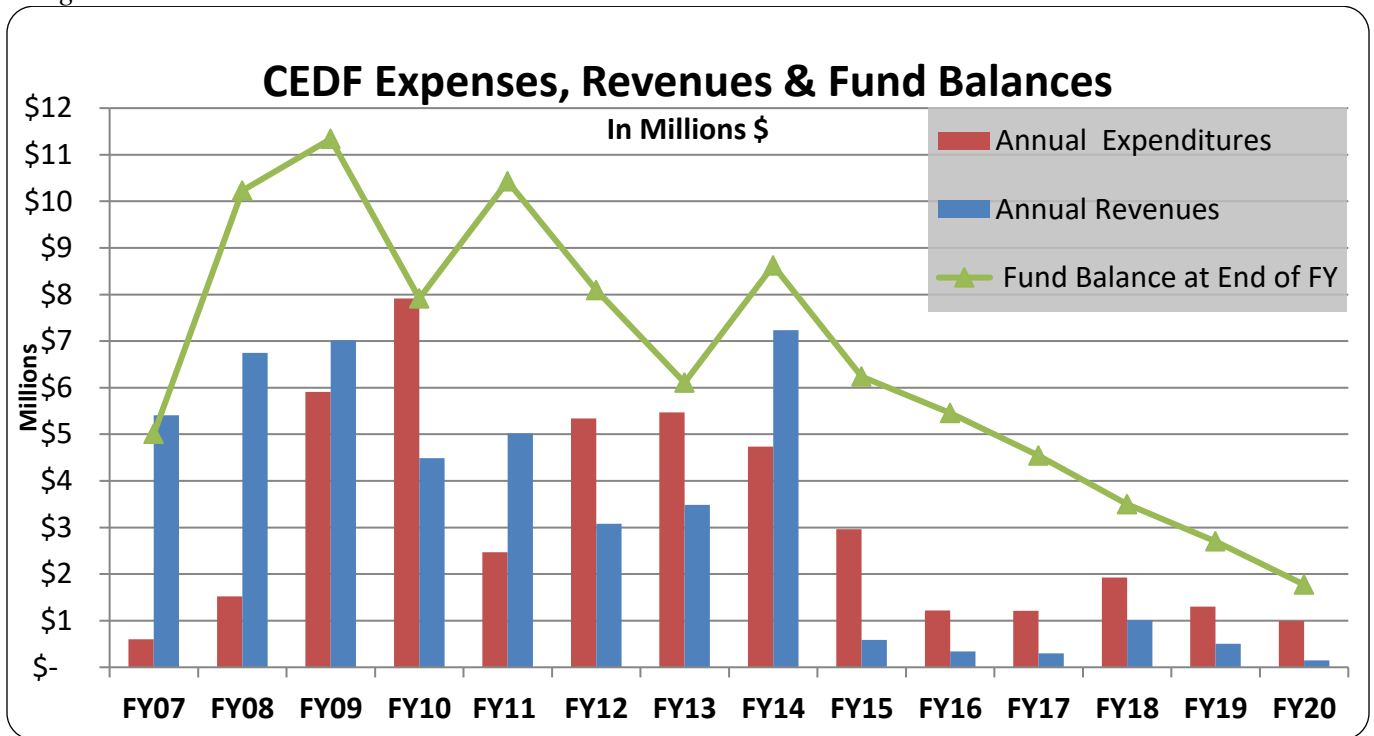
In 2006 the principle goal in creating the CEDF to manage the Entergy VY payments was to advance Vermont's nascent renewable electricity generating technologies and markets so that Vermont would be better prepared for the possible (and to some legislators, the desired) closing of the VY plant in 2012 when its federal license expired.

Over the years the CEDF's purpose was expanded. First to include the development of renewable thermal energy and then from 2009 to 2013 it was tasked with the deployment of almost \$22 million in federal dollars from the American Recovery and Reinvestment Act (ARRA).

The CEDF has successfully developed strategically targeted renewable energy technologies in Vermont with a long-term market development focus that took the CEDF beyond its founding connection with the VY power plant and renewable electricity.

The CEDF’s annual revenue, expenses, and fund balance at the end of each fiscal year (FY) since its inception to fiscal year 2020 can be seen in Figure 1.

Figure 1.



CEDF Financial Projections

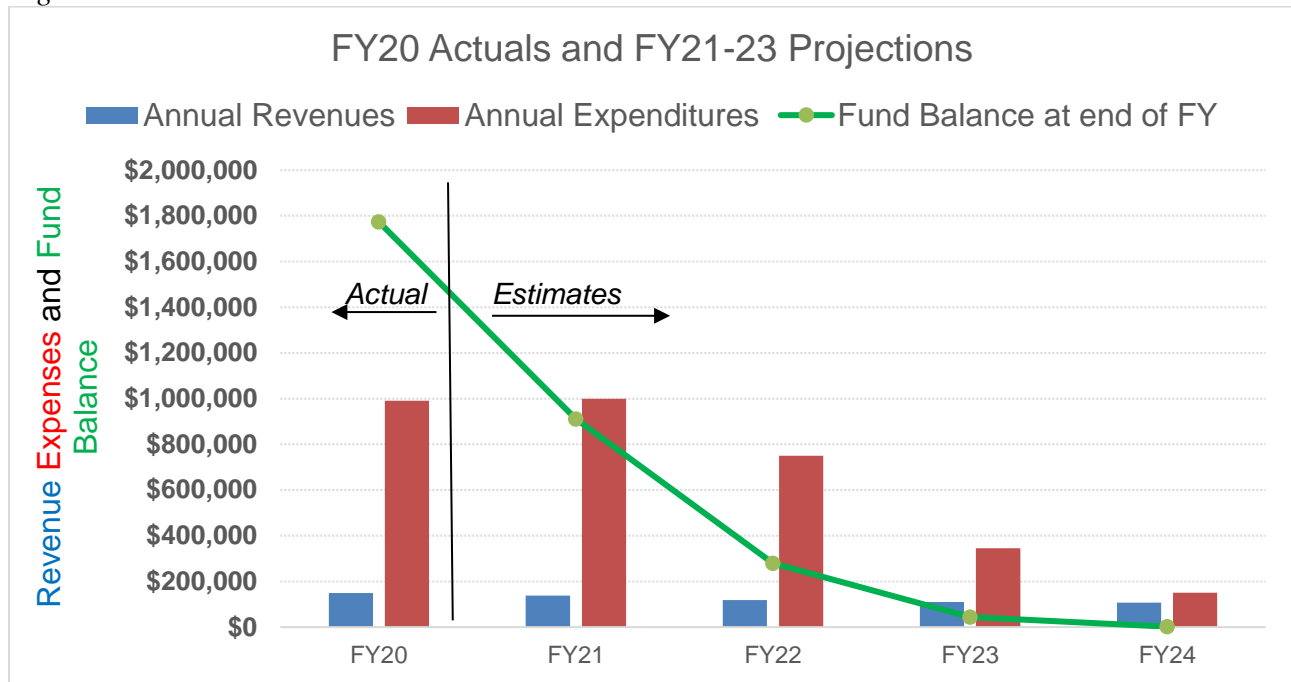
A small amount of interest and the repayment of funds loaned-out is projected to be the only incoming funds to the CEDF. While the amount of returned loan funds to the CEDF will be minimal, it requires continued administrative functions and a decision-making process for its expenditure. The CEDF’s incentive programs and grants will extend into FY 2022 and will require oversight. These administrative tasks will fade as the grants issued are expended and incentive programs end for lack of funds.

Without additional funding the CEDF will not award grants or offer incentives to promote renewable energy development. Furthermore, there will not be sufficient funds to cover the salary and benefit costs of the CEDF Fund Manager position much beyond FY 2022.

For the program management needed for fiscal years 2021 and '22 the PSD will maintain the CEDF Fund Manager position at the PSD using CEDF funds.

As is demonstrated in figure #2 below the CEDF ended FY 2020 with a fund balance of ~\$1.7 million. Almost all the \$1.7 million is obligated under existing grant and program agreements. The projected revenue is just over \$100,000 for the next three fiscal years.

Figure #2.



Addressing the lack of on-going funding for the CEDF is outside the purpose of this letter. This letter does not provide information on possible funding sources. It does provide some possible options on the future of the CEDF with the assumption that there will be no additional funds for the CEDF.

CEDF Remaining Obligations

The remaining obligations of the CEDF are:

- Overseeing the few remaining grants and the Small-Scale Renewable Energy Incentive Program
- Providing administrative support to the Clean Energy Development Board
- Developing incentive programs for the deployment of any new funds that the CEDF receives from the repayment of loans, grants, interest payments, or new appropriations.
- Overseeing the administration of CEDF's loan portfolio.
 - The monthly administration of these loans is handled by the Vermont Economic Development Authority (VEDA) under an MOU between the PSD and VEDA. Decisions on requested changes to the loan terms require CEDF/PSD action.
 - There are three remaining CEDF loans with a balance of \$294,143 (as of 6/30/20).
 - The CEDF loan portfolio includes the ARRA funds that were managed by the CEDF as part of a Revolving Loan Fund from 2009 to 2013. There are three of these

ARRA loans remaining (one will be paid off in FY22) with a balance of \$961K. The returned ARRA loan funds must be used in accordance with the US Department of Energy's State Energy Program Guidelines for these ARRA funds.

- The CEDF has a potential obligation for funds remitted to the CEDF from the electric distribution utilities in the form of compliance payments under the Renewable Energy Standard (RES). Thus far no utilities have made a compliance payment to the CEDF, and none are expected, but the possibility exists as long as this provision remains in the RES.
- Reporting:
 - Quarterly and semi-annual reports to DOE on the any remaining ARRA funds.
 - Annual report to the legislature
 - Annual Plan and Budget to the CED Board.

Options for the Future of the CEDF

There are several options for the future of the CEDF. Below are four options designed to generate a discussion and other ideas on the future of the CEDF. This list of four options is not an exhaustive list, as there are other options and/or combinations of options:

Option 1: Maintain Current CEDF Structure and Then Shut Down Operations.

The CEDF will continue to meet its obligations and operate under its current framework until the funding is no longer sufficient to retain a Fund Manager. The PSD would then allocate any remaining funds to clean energy projects in accordance with the CEDF Statute and with approval of the CED Board. Once all remaining funds are expended the CEDF would be dormant until future funding is allocated to it. The CED Board would continue as it is.

Option 2: Legislative Study on the Future of the CEDF

The clean energy landscape in Vermont and the Northeast region is very different than it was when the CEDF was created fourteen years ago. The CEDF was established before the State adopted its ninety percent renewable energy by 2050 goal, before the Renewable Energy Standard was established, and before revenue from the Regional Greenhouse Gas Initiative started to be used for renewable thermal measures in Vermont.

Given these changes in the energy landscape and the ending of Entergy VT's funding, a fundamental re-evaluation of the need and purpose of CEDF by its creator—the Vermont Legislature—would be conducted to provide a plan for the future of the CEDF. This could be a recasting or planned obsolescence of the CEDF. The PSD and the Clean Energy Development Board should be involved, but the process and conclusions would be decided by the Legislature.

Option 3: Fold the CEDF into the PSD

The CEDF is housed within the PSD but also stands apart with separate funding and oversight by the Clean Energy Development Board. As the funding and obligations fade the delineation between the CEDF and the PSD could be eliminated entirely. The PSD would be given control over the remaining CEDF Funds and would have authority to expend the funds to promote clean energy and to pay staff which could be a Clean Energy Fund Manager or other staff working on clean energy. The CED Board could be disbanded or transformed into an advisory Board. Annual reporting to the legislature on the use of the CEDF funds would continue.

Option 4: Fold the CEDF into Another Part of State Government

Like Option 3 the CEDF funds and obligations would be transferred to another part of state government. Entities that offer grants and/or financing such as the Working Lands Enterprise Board, the Vermont Economic Development Authority, the Agency of Natural Resources, or the Agency of Commerce and Community Development could gain control of the remaining CEDF funds, and would decide how to incorporate the CEDF into their existing work or to use it to expand their work in Vermont's clean energy markets. The CED Board would cease to exist as the receiving organization would have or create its own oversight structure. Reports to the Legislature on the CEDF funds should continue.

Request for Public Comment

The CEDF, the Public Service Department, and the Clean Energy Development Board seek public comment on the above options, and/or different options for the future of the CEDF. Comments can be submitted to the CEDF/Public Service Department via email to: Andrew.Perchlik@vermont.org or by mail to Public Service Department, CEDF, 112 State Street, Montpelier, VT 05620

Comments can also be delivered verbally by calling Andrew Perchlik at 802-828-4017, or by attending the CED Board's December 16th meeting. The meeting will be held remotely and can be accessed by phone or internet via Microsoft Teams. Anybody interested in attending the CED Board's meeting for the public comment period should contact Andrew Perchlik and he will provide the call-in and Teams link for the meeting. Comments will be accepted via email and mail until 5:00 PM on December 15th, as well as verbal comments the day of the Board's meeting on December 16th at 1:00 PM.

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