From: Springer, Darren [Darren.Springer@vermont.gov]
Sent: Thursday, February 26, 2015 3:46 PM
To: 'Rebecca Ellis' (ellisvermont@yahoo.com); twk@tonyklein.com
Subject: Memo from Asa to Greshin
Attachments: Summary of alternative compliance payment Greshin.docx

Hi Rebecca and Tony,

You may want this for floor. It is a worst-case scenario memo Asa provided at request of Rep. Greshin showing cost to utilities if in year one (2017) no one did any Tier 2 or Tier 3 projects and everyone only paid ACP. To be clear, we know for a fact there are many cost effective options utilities would be obligated to pursue at less cost than ACP under their least-cost service obligations. But for purposes of the exercise, we did this. It shows a net impact of $10 million (or about 1.2% on rates) compared to the $50 million (or 6% impact) if we lost access to REC market.

I believe there is a figure circulating among some members that the program could cost $2.1 billion. That is not accurate, and I hope this analysis helps to disprove that, even in a worst case scenario.

Thanks,
Darren

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Summary of alternative compliance payment – potential impacts

Asa S. Hopkins
Public Service Department
February 23, 2015

Prepared at the request of Rep. Greshin.

The alternative compliance payment (ACP) structure of H.40 serves as a cost cap for utility compliance with the provisions of the bill. As such, cost estimates based on the ACP are the *maximum* costs.

Utilities are provided significant opportunities for flexibility with both Tier 2 (distributed generation) and Tier 3 (energy transformation) in order to minimize the likelihood that any utility will pay the ACP.

Each of the other New England states uses an ACP mechanism to contain the costs of their comparable policies. Use of this mechanism is another way in which H.40 would bring Vermont into a parallel policy and market structure with the rest of the region, preserving our utilities' ability to sell excess high-value RECs into the regional market. If that ability were lost, it could mean a 6% rate increase in 2017.

What follows is an estimate of the potential 2017 utility payments of ACP revenue to the Clean Energy Development Fund in cases where, on a statewide aggregate basis, electric utilities fall short of the H.40 targets. Data are presented on a percentage-point basis. That is, where the table shows "1%" it means that, for example, the obligation was 3% of retail sales and the utilities instead demonstrated only 2%. Obligations begin in 2017 at 1% in Tier 2 and 2% in Tier 3 (for a total of 3%).

2013 statewide utility sales:	5635	GWh (gigawatt-hours)
Alternative compliance rate (Tiers 2 and 3):	$0.06	per kWh
2013 utility revenue:	$855,778,012	

%-Point Shortfall	Total ACP/Resulting CEDF revenue	% of 2013 utility revenue
0.5%	$1,690,500	0.2%
1.0%	$3,381,000	0.4%
1.5%	$5,071,500	0.6%
2.0%	$6,762,000	0.8%
2.5%	$8,452,500	1.0%
3.0%	$10,143,000	1.2%