

# Memorandum

Vermont Department of Public Service

**Subject:** Green Growth Zones

**Date:** January 5, 2009

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Concept: To create economic development opportunities within definable sites anchored by renewable, energy generation infrastructure. The state will provide incentives for the development of renewable generation to achieve a greater measure of control over energy costs and a reduction in greenhouse gas emissions. Additional incentives will be provided to enterprises or housing within the Zone and will have access to some portion of the developed electricity and, potentially, heat being made available at reduced cost with the goal of creating net new jobs or housing units.

Electrical Generation: Any form of generation from renewable sources will be considered eligible for designation as the energy component of a Green Growth Zones to include wind, solar, geothermal and biomass as affirmed by the Public Service Department. Incentives in the form of financing, expedited permitting and rate setting will be made available to the owners of the generation facility component of the Green Growth Zone to encourage their participation. All generation from the Green Growth Zones can meet the renewable definition as set in 10 V.S.A. §6523 of Vermont Statutes.

Zones: Green Growth Zones will be identifiable, designated areas in which generation will occur as well as business and/or housing development.

Benefits: Enterprises within the zones will be treated separately from enterprises outside of the zone for purposes of electric rate-setting, permitting, taxation and access to other state or quasi governmental resources.

- *Electrical Rates:* A portion of the power generated by the renewable infrastructure will be made available to commercial enterprises or housing within the Zone. The pricing of the power within the Zone will be independent of the pricing outside of the Zone with the goal of lower rates for the Green Growth Zone customers. Green Growth Zone rates are intended to attract new, expanded or retained business activity to the GGZ. When approved, Green Growth Zone rates are designed to fully cover the incremental costs of serving that new load.
- *Waste Heat:* Green Growth Zones that incorporate co-gen facilities can sell their excess heat within the Zone.
- *Permitting:* The Green Growth Zone will be eligible for an “umbrella permit” and will receive expedited, priority permitting from the NRB and relevant state agencies. Renewable generation that needs a 248(j) certificate of public good (CPG) under the Public Service Board will have certain criteria reduced or automatically “checked off” if located in a Green Growth Zone. *See 248(j) process outlines below.*
- *Financing:* Special loan rates will be set up through VEDA subsidized by the State that will be below VEDA’s normal lending rates.
- *VEGI:* Companies within the Zone will be eligible for a separate VEGI set aside program outside of the existing cap with an altered formula to achieve higher benefits.
- *TIF Financing:* The entire Green Growth Zone will be considered a 10 year TIF zone. The incremental property taxes generated will be available to pay off debt associated with the construction of infrastructure that serves the Zone.

- *Clean Energy Development Fund*: Renewable generation projects within the Green Growth Zone will get preferential scoring for grants and loans by the CEDF Investment Committee, as well as increased funding levels.

Designation Process: Each Regional Development Corporation, in conjunction with a host community, may designate one or more Green Growth Zones for their region. Application will be made to the Economic Incentive Review Board to consider and approve or reject the application for Green Growth Zone status. The application must include a letter from the Public Service Department confirming that the generation source(s) within the Zone is/are, in fact, as defined in 10 V.S.A. §6523 for the Clean Energy Development Fund. The generation must occur within the Zone. The application must also include a letter submitted by the governing legislative body of the host community in support of the application and with the endorsement of the project as well as a letter of support from the Regional Planning Commission having considered regional impacts of the site.

Public Service Board 248(j) with Green Growth Zones: Unlike other petitions for electric generation facilities, those brought under the auspices of a Green Growth Zone would actually begin with and to some degree, have been considered by the community in which the project would be constructed. V.S.A. § 248(j) allows the Board to issue a CPG “without the notice and hearings otherwise required by this chapter” where:

- (B) such facilities will be of limited size and scope;
- (C) the petition does not raise a significant issue with respect to the substantive criteria of this section; and
- (D) the public interest is satisfied by the procedures authorized by this subsection.

248(j) language, applied to projects constructed in Green Growth Zones would be a conservative approach toward reducing the regulatory rigors of permitting a facility and would serve to expedite the permitting process. 248(j) language still requires a showing to be made by the Petitioner that the criteria of 248 have been met and the Board must find that no significant issue has been raised before it may issue a CPG. Accordingly, many 248 criteria could be simply dealt with “up front” in the Green Growth Zone designation process such that when the Public Service Board received the Petition for the project, there would be a legal presumption that the following 248(b) criteria had already been satisfied:

248(b)(1) – That the project will not unduly interfere with the orderly development of the region.

248(b)(2) – That the project is needed to meet the need for present and future demand for service which could not otherwise be provided in a more cost effective manner through energy efficiency and load management measures.

248(b)(4) - That the project will result in an economic benefit to the state and its residents.

248(b)(5) - That the project will not have an undue adverse effect on esthetics, historic sites, air and water purity, the natural environment and the public health and safety.

248(b)(6) - That the project is consistent with the company’s approved least cost integrated plan.

248(b)(7) - That the project be in compliance with the Department’s electric energy plan.

248(b)(8) - That the project does not have an undue adverse effect on outstanding water resources.

248(b)(9) – That the project is consistent with the state solid waste management plan (where applicable).

248(b)(10) – That the project cannot be served economically by existing or planned transmission facilities without undue adverse effect on Vermont utilities or customers.

Establishing that there would be a rebuttable presumption that a project located within a Green Growth Zone would have met the above criteria, essentially takes 219a and creates a slightly higher burden of proof for one opposing the project.

Example: An RDC comes forward with partners from an existing industrial park, a CHP generation developer and the host community to apply for Green Growth Zone designation. They meet the VEPC criteria for job creation (?) and PSD's review of their generation proposal. The financing and tax credits would offset some of the cost for constructing the CHP generation thus lowering the costs it would otherwise have to charge the park customers. The total power costs to the park customers would be further reduced through the use of the waste heat from the electric generation through CHP. Further, any market benefits that arise from the location of the generation and their attributes (such as renewable energy credits or RECs) would be split among the developer and park customers as they see fit.