MEMORANDUM

To: EEU e-mail service list

From: Susan M. Hudson, Clerk of the Board

Re: Impact of Act 47 on EEU and DRP process

Date: June 30, 2011

On May 25, 2011, Act 47 became effective.[1] Act 47 includes changes to programs administered through the Energy Efficiency Utility ("EEU"), including modifications to the Self-Managed Energy Efficiency Program ("SMEEP") and the Heating and Process Fuel ("HPF") program.

This memorandum outlines the impact of Act 47 on the EEU and sets deadlines for comments regarding how the Public Service Board ("Board") should address these impacts.

SMEEP

SMEEP was created as a temporary, three-year pilot program in 2009. Section 3 of Act 47 amends 30 V.S.A. § 209(h) to make SMEEP permanent. Section 4 of the Act states:

> (a) Sec. 3 of this act shall apply to the public service board's order on the self-managed energy efficiency program entered December 28, 2009 and its clarifying order on the same program entered April 7, 2010, including the approval in those orders of an entity's participation in the program. Such approval shall be ongoing under the terms and conditions of 30 V.S.A. § 209(h) as amended by Sec. 3 of this act and shall not be limited to the three years commencing January 1, 2010.

[1]Public Act 47 (2011 Vt., Bien. Sess.). The act can be found at http://www.leg.state.vt.us/DOCS/2012/ACTS/ACT047.PDF.

> (b) Within 60 days of this section's effective date, the board shall take all appropriate steps to implement Sec. 3 of this act.

Board staff have reviewed Act 47 and conclude that the only Board action needed to effectuate Section 4 of the Act is a brief order modifying the December 28 and April 7 Orders. However, any interested party that concludes that the Board should take additional action with respect to Section 4 of Act 47 should file a recommendation with the Board and the EEU e-mail service list by July 8, 2011. Any comments on such recommendations should be filed with the Board and the EEU e-mail list by July 15, 2011.

HPF Program

Act 47 makes two significant changes to the funding sources for the HPF programs. Section 209(d)(7) and (8) requires that Forward Capacity Market ("FCM") and Regional Greenhouse Gas Initiative ("RGGI") auction proceeds be used to fund HPF programs. Section 18h of Act 47 authorizes the Vermont State Treasurer to transfer proceeds from the FCM and RGGI to the State PACE [Property Accessed Clean Energy] Reserve Fund and Section 20 of the act directs the EEU to use FCM and RGGI funds to

> give priority to incentives for the installation of woody biomass heating systems [with] . . . a goal of offering an incentive that is equal to 25 percent of the installed cost of such a system . . . . Provision of an incentive under this subdivision . . . for a woody biomass heating system shall not be contingent on the making of other energy efficiency improvements at the property on which the system will be installed.

Act 47's directive to prioritize FCM and RGGI proceeds to provide incentives for woody biomass heating systems, as well as the ability of such funds to also be transferred to the State PACE Reserve Fund, will likely have an effect on the HPF programs currently being offered and the programs under consideration in the DRP. In addition, Section I.1.F of the Process and Administration documents issued by the Board in Docket 7466 address the process for incorporating new initiatives and guidance from the General Assembly. The Board is interested in comments on whether the mandates contained in Act 47 trigger the need for modifications pursuant to Section I.1.F.

Any comments on how the Board should account for these changes to the HPF program should be filed with the Board and the EEU e-mail list by July 12, 2011.