STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 25A-0742

Vermont Gas Systems, Inc. Windy Ridge Geothermal Project	

VERMONT DEPARTMENT OF PUBLIC SERVICE RECOMMENDATIONS ON VERMONT GAS SYSTEMS PROPOSED USE OF INNOVATION FUNDS FOR THE WINDY RIDGE PROJECT

On June 27, 2025, Vermont Gas Systems, Inc. ("VGS") filed a revised design for the project proposed in the above captioned case with the Vermont Public Utility Commission ("Commission") proposing to allocate approximately $260,000 in innovation funds to develop five large scale geothermal systems to provide heating and cooling to forty four permanently affordable housing units of a housing development in Hinesburg, Vermont (the "Project").[1] Based on its discussions with VGS staff and a review of the filings, the Vermont Department of Public Service ("Department") does not object to the Project as it aligns with Climate Action and Innovation Program by providing VGS experience with largescale geothermal heat pump technology and development of a relationship with Dandelion Energy, a commercial geothermal developer, in support of "Vermont's statewide energy goals by advancing promising technologies to facilitate efficient, lower carbon energy choices for Vermont customers..."[2]

The initial proposal was to develop a community scale networked geothermal system with an approximate cost of $3,300,000 with approximately $3,000,000 awarded from the

[1] Champlain Housing Trust is the developer of the Windy Ridge housing project, the first phase of the Windy Ridge housing project. Evernorth partnered with CHS to develop the South Meadow Neighborhood as part of Windy Ridge. If completed, Windy Ridge would include 76 mixed residential and commercial units including up to 58 affordable units; See Findings of Fact, Conclusions & Order, Champlain Housing Trust - Sketch Plan Approval for a 76-unit Subdivision Tax Map Number 16-20-56.800, Town of Hinesburg Development Review Board, https://www.hinesburg.org/sites/g/files/vyhlif6691/f/pages/16-20-56-800-windyridge-sketch-final.pdf ("Sketch Plan Approval") (accessed May 13, 2025).
[2] Alternative Regulation Plan, Case No. 22-5085-PET, Filing of Oct. 26, 2023, 13. ("ARP").

United States Department of Energy grant funds. The revised Project's reduced scope is a response to significant uncertainty around the availability of federal funds under the regime of the current federal administration.[3] VGS estimates the total project cost to be $2,000,000.

As in the initial filings, the revised Project is proposed pursuant to the Climate Action and Innovation Programs section of the VGS Alternative Regulation Plan ("ARP") which encourages VGS to "pursue and consider projects... that support Vermont's statewide energy goals by advancing promising technologies to facilitate efficient, lower carbon energy choices for Vermont customers[]" with up to $2,000,000 in annual "Innovation Budget" funds.[4] The ARP requires VGS to provide 30-day notice to the Vermont Department of Public Service ("Department") and Commission before spending over $25,000 of Innovation Budget funds.[5] Either the Department or Commission may object to the notice, with objections resulting in additional process. After review of VGS revised proposal, the Department recommends that the Commission allow VGS' proposed Innovation Budget spending without further process or investigation.

Like the initial proposal, the revised Project would serve 44 permanently affordable residential units as part of the first of several phases of the Windy Ridge housing development.[6] Champlain Housing Trust ("CHT") and Evernorth will provide $1,600,000 to cover the cost of the Project's indoor equipment (i.e. heat pumps in each unit) to be recovered through rents or through the sale price of units. VGS anticipates paying the remaining $400,000 in costs for the

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[3] U.S. Secretary of Energy, Secretarial Policy on Ensuring Responsibility for Financial Assistance, 05/15/25 https://www.energy.gov/sites/default/files/2025-05/EXEC-2025-005990%20-%20Secretarial%20Policy%20-PRP%20-%205-14-25%20%28FINAL%29%20%282%29.pdf. (seeking to ensure federal financial assistance awards conform with the federal administration's "standards" and seeking to avoid "fraud, waste and abuse").
[4] ARP at ¶ 9(b) (provides for up to $1,500,000 and $500,000 in annual capital and expense spending respectively).
[5] ARP at ¶ 9(b), (e), (f).
[6] Sketch Plan Approval, ¶ 3.

geothermal portion of the system with the following approximate funding sources: $260,000 in VGS innovation funds as a capital expense; $105,000 over twenty years in cost recovery from monthly fees paid by customers benefiting from the Project; and $36,000 in Tier III and efficiency incentives from Green Mountain Power and Efficiency Vermont respectively.[7] Based on its portion of Project cost, VGS estimates the Project will result in an avoided cost of carbon of $188 per tonne.

As VGS proposes to provide service to Windy Ridge residents as a variance from tariffed services, the Department expects subsequent rate cases and untariffed service compliance filings to include analysis of the Projects benefits and costs for VGS customers. VGS asserts that the proposed expenditure of $260,000 in innovation funds will not impact current base rates as VGS has included $1,500,000 in innovation capital expense in its rate filings under the ARP. The Department understands the monthly fee for users of the proposed project will not cover the full cost of capital, operation, and maintenance of the system. While the monthly fee for service is anticipated to be higher than the cost of gas service, the Department understands CHT is still interested in the project for its low emissions and lower relative operating cost compared to individual air source heat pumps.

The Project aligns with the intent of the Climate Action and Innovation allocation. The Project would be substantially funded by CHT and Evernorth. The Project would provide an opportunity for significant research and development value in Vermont’s relatively nascent market for large scale geothermal and presents the opportunity for VGS to develop a commercial

[7] Green Mountain Power’s total Tier III incentive contribution is anticipated to be $111,200. Efficiency Vermont is anticipated to contribute $6,000 in efficiency incentives. These contributions would be split between CGS and CHT proportionally based on their respective contributions to the Project’s cost.

relationship with the geothermal expert Dandelion Energy. These opportunities benefit VGS customers and further Vermont's renewable energy and emissions goals. For the foregoing reasons the Department does not object to the proposal as filed.

Dated at Montpelier, Vermont this 28th Day of July 2025.

VERMONT DEPARTMENT OF PUBLIC SERVICE

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