Ethan Allen Institute

Newsletter - August 2015 (Printer Edition)

Commentary: Another Wrong-Headed Energy Plan

By John McClaughry

The Public Service Department is hard at work updating the state's 2011 Comprehensive Energy Plan. This herculean task requires putting together the products of at least nine working groups and reports over the past five years, ever mindful of the 2006 mandate to reduce greenhouse gas emissions to as much as 75% below the 1990 baseline by 2050, to "lower the state's contribution to global warming."

The central driver of these plans is Gov. Shumlin's 2011 decree that the state must obtain 90% of its total energy from renewable sources by 2050. This decree, incidentally, has never been voted on by elected legislators, even though every year they are asked to approve ever more legislation to achieve it.

In a submission destined to be widely ignored, the Ethan Allen Institute observed that "a state can achieve the decreed '90% by 2050'only if its political leaders can persuade its taxpayers and ratepayers to provide the enormous subsidies, and submit to the ever increasing mandates, that reaching that goal will require." (Online at www.ethanallen.org.)

"The new Plan's vision of a state obeying the Shumlin Decree can only be achieved by heroic, costly government intervention into the energy market, over the growing protests of taxpayers and ratepayers called upon to finance the ever expanding renewable industrial complex."

"Whether the taxpayers and ratepayers could do more good for the people and economy of this state by making their own decisions on how to spend their own money is an important question, which of course the Plan will assiduously avoid."

In place of all the renewable energy and climate change goals, EAI recommends a Plan "to set Vermont on a path to assure safe, reliable and competitively priced energy that will make possible a strong, competitive and growing economic base, both for creation of new wealth and income for the people of the state, and for expanded tax revenues to enable the state to meet its fiscal obligations."

EAI's energy expert Meredith Angwin has pointed out that the Plan expects most vehicles to increasingly become electric and most home heating to rely on electric heat pumps. Where this all new electricity will come from is a mystery. To get it from "renewables" – which today provide only 16% of total energy - will require truly heroic coercive measures, unless the gap is largely filled by more power from HydroQuebec, which would have Vermont largely at its pricing mercy.

Among the 19 specific recommendations are these:

- Repeal the requirement that Vermonters be forced to reduce their greenhouse gas emissions to 50% below the 1990 baseline by 2028, or any other year.
- Repeal the state's "climate action plan", inasmuch as nothing the people of

Vermont can do, even at crippling economic cost, will ever have any detectable effect on any metric of "climate change" (formerly "global warming").

- Repeal the RESET mandate that utilities must meet a fraction of their demand with high priced renewable electricity.
- Repeal the Standard Offer mandate that requires ratepayers to pay far above market prices to the producers of government-favored renewable electricity.
- Abandon the idea of instituting a carbon tax – a "climate pollution tax" to its backers. Such a tax, levied on gasoline, diesel, natural gas, home heating oil and propane, would, its backers say, include a rebate of 90% of the proceeds to people and businesses burdened by the tax; the remaining 10% would finance more renewable adventures. Opening an (eventual) $700 million a year revenue source would be an irresistible temptation to legislators to solve their chronic overspending problem, not their constituents' energy cost burdens.
- Assess electric vehicle owners, who pay no fuel tax, a charge for using the state's highways, instead of making gasoline and diesel fueled vehicles absorb all the costs. Require that publicly installed EV charging stations charge EV owners enough to at least cover the energy they are drawing.
- Continue to require utilities to purchase electricity offered through net metering connections, up to the point that grid stability becomes a problem; but set the rate of credit for net metering customers so that they pay their share of the fixed costs of maintaining power grid service.
- Consistently remember that markets work, and that ordinary people usually turn out to make better use of their resources than what is prescribed for them by the experts who prepare "comprehensive energy plans."

In short, the PSD is working hard to carry out its assignment – but in pursuit of a policy that "resolutely heads off in the wrong direction, anticipating enormous taxpayer and ratepayer costs, ever growing bureaucracies, and ever more extensive controls over the choices of the ordinary Vermonter, all to send Vermonters galloping after a wrong-headed goal of '90% renewable energy by 2050'".

- John McClaughry is vice president of the Ethan Allen Institute (www.ethanallen.org).

Commentary: Repeal Vermont's Certificate of Needs Laws

By Rob Roper

We need to lower the cost of health care in Vermont, and the state, dealing with a structural budget deficit, doesn't have the capacity to raise more taxes. So, what can we do? One simple, cost-free solution is to repeal Vermont's Certificate of Need (CON) laws.

What are CON laws? Basically, a way for the government to guarantee a monopoly (and artificially high profits) to a politically favored provider by denying potential competitors permission to provide services. In Vermont, for example, when Vermont Open MRI, wanted to provide imaging technology for one half to one third the price of UVM Medical Center, they had to first convince the Green Mountain Care Board there was a 'need' for cheaper, faster, more convenient MRIs. (Duh!)

Why should anybody have to ask such permission, let alone be forced to waste considerable time and money getting it? Why not just let folks hang out a shingle? If there is a need, the customers will come. If there is not a need, the imaging center, or the clinic, or whatever will go out of business. Not good for the investors, but no harm to the taxpayer or the patients.

Other stories of cheaper, more convenient healthcare alternatives breaking into the market include ClearChoiceMD. When this group wanted to open a number of low-cost, convenient urgent care centers around the state, their competition insisted that they get a CON. When it became clear these clinics were not subject to CON laws, legislators, rather than encourage entrepreneurial, creative problem solving, enacted a number of regulations making it more difficult for ClearChoiceMD to operate.

Most recently, Dr. Peter Gunther wrote a piece that appeared in a number of venues about some doctors needing a CON to open a Green Mountain Surgery Center, citing National data that shows "the costs of procedures at such community-based centers are 45-60 percent less than in a hospital setting." Please! Go for it! Why would anyone object, and why would we keep laws on the books to obstruct such ventures?

Currently, thirty-six states and D.C. have CON laws, regulating, on average, fourteen healthcare services, devices and procedures, but as few as just one (Arizona and Ohio), and as many as thirty – you guessed it – Vermont! Yes, we are the worst.

The ostensible reason for CON laws is that giving a government enforced monopoly to a favored provider allows that provider to over-charge some patients (who would otherwise go elsewhere) so that the unnaturally high profits can be used to subsidize indigent care services. This is bad policy on so many levels.

First, it is a hidden, unjust "tax" on some medical patients. The government has the power to tax, but not a hospital. If the government wants a hospital to provide care for patients who cannot otherwise afford it, the government should pay for it, not the unlucky guy who happens to be in the next bed. This is not fair, nor does it make sense except for the fact that it allows politicians to escape accountability for what is a massive transfer of wealth.

Second, this creates a baffling lack of transparency. It's a joke to ask how much anything at a hospital costs today. An Advil? An appendectomy? Nobody can tell you because one person is being double or triple charged while another is skipping out on the bill. It is an impossible scenario for regulators to effectively monitor and keep players accountable. Which gets us to the last point….

It doesn't work. A recent study by the Mercatus Center concluded, "We do not find evidence associating CON programs with an increase of indigent care. The effect of CON programs on indigent care shows no clear pattern using either direct or indirect measures of indigent care."

What they found CON laws did to is decrease the availability of services for patients, everything from hospital beds, to MRIs to CT scans… whatever service requires a CON, there is less of it in the marketplace. That means longer waiting periods and higher costs for patients.

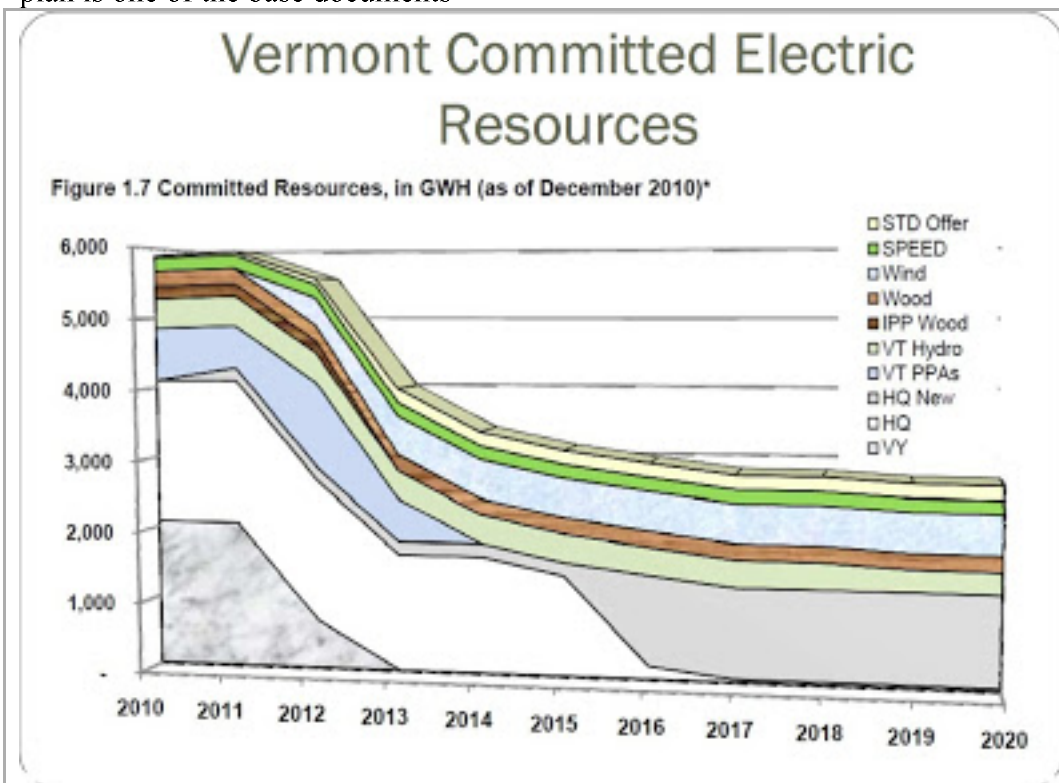
If you want to lower the cost of anything, the goal should be to increase supply. CON laws are in place for only one reason – to restrict supply. They should be repealed by the legislature, a serious healthcare reform move that would cost taxpayers nothing to implement, and could lower the cost of health care over the long term.

- Rob Roper is president of the Ethan Allen Institute.

Commentary: Vermont Energy Plan Is Basically Unworkable

By Meredith Angwin

The Vermont Public Service Department (PSD) is revising the Vermont Comprehensive Energy Plan which they issued in 2011. Yes, the plan has been under serious discussion for about a month. First PSD had invitation meetings (late June), now they are having public meetings (July). Then they will issue a draft 2015 plan and request further comments later in the year. You can see local timeline here. The 2011 plan is one of the base documents

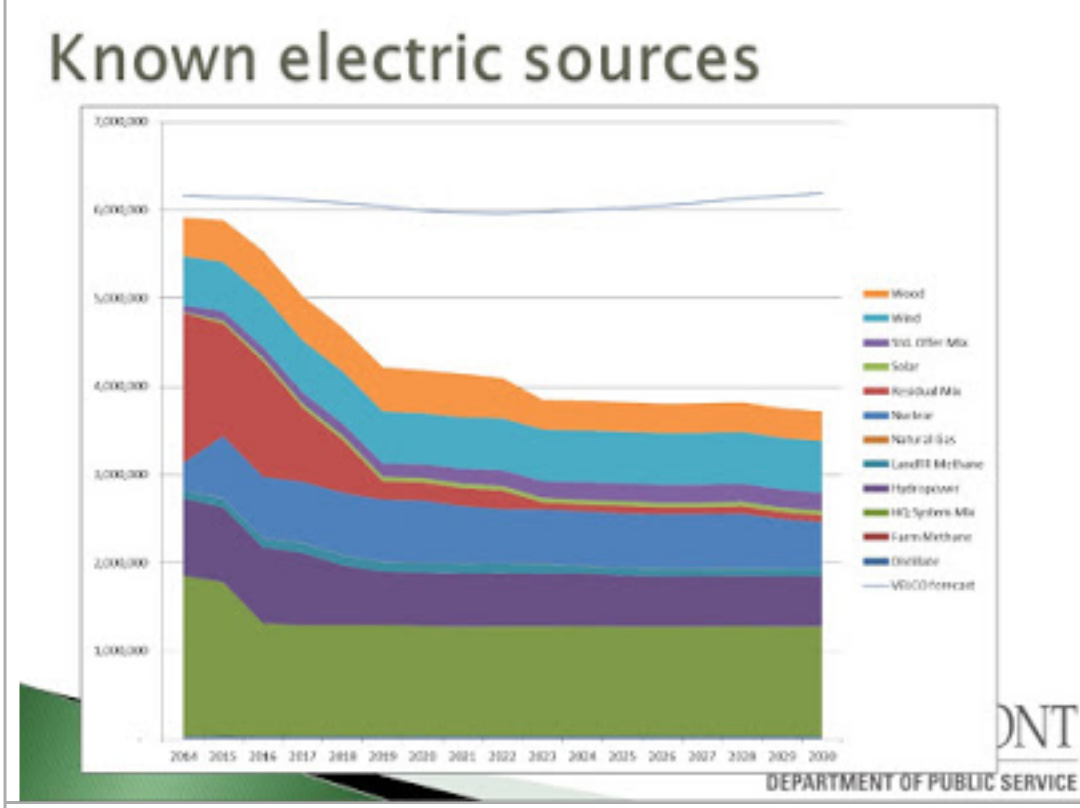


2010 Known Electric Resources from PSD
Blog post about this at ANS Nuclear Cafe

The Charts and the Questions

On the morning of June 30, the subject of the invitation meeting was Energy Supply Resources. Asa Hopkins is Director the Planning and Energy Resources Division of the PSD. Here is a link to his presentation. (You can see all the meeting agendas and presentations at this link.)

From Hopkin's presentation, this is the current version of the 2010 chart:



2015 Known Vermont Electric Sources from PSD

Yes, it looks familiar. We've got the big green part at the bottom: HydroQuebec. HydroQuebec falls off somewhat as the old contracts finish, but it is still steady. Above it is the steady purple of Vermont and New York State hydropower, and the increased level of nuclear (medium blue) as the Seabrook contracts begin. Then there's that huge red part, "residual mix" (aka "buying from the grid or short-term contracts") that is supposed to diminish. As a matter of fact, it's supposed to go away entirely.

After all, the Vermont plan is for 90% renewables, and the chart shows that we already have a big section of nuclear (relatively new long-term contracts). Nuclear is clean-air, but the Vermont plan isn't about clean air and low carbon, it's about renewables and only renewables. In other words, with the nuclear purchase in place, in order to meet the Vermont plan, we really can't afford to buy a single electron from the grid. We also can't afford to expand our use of natural gas.

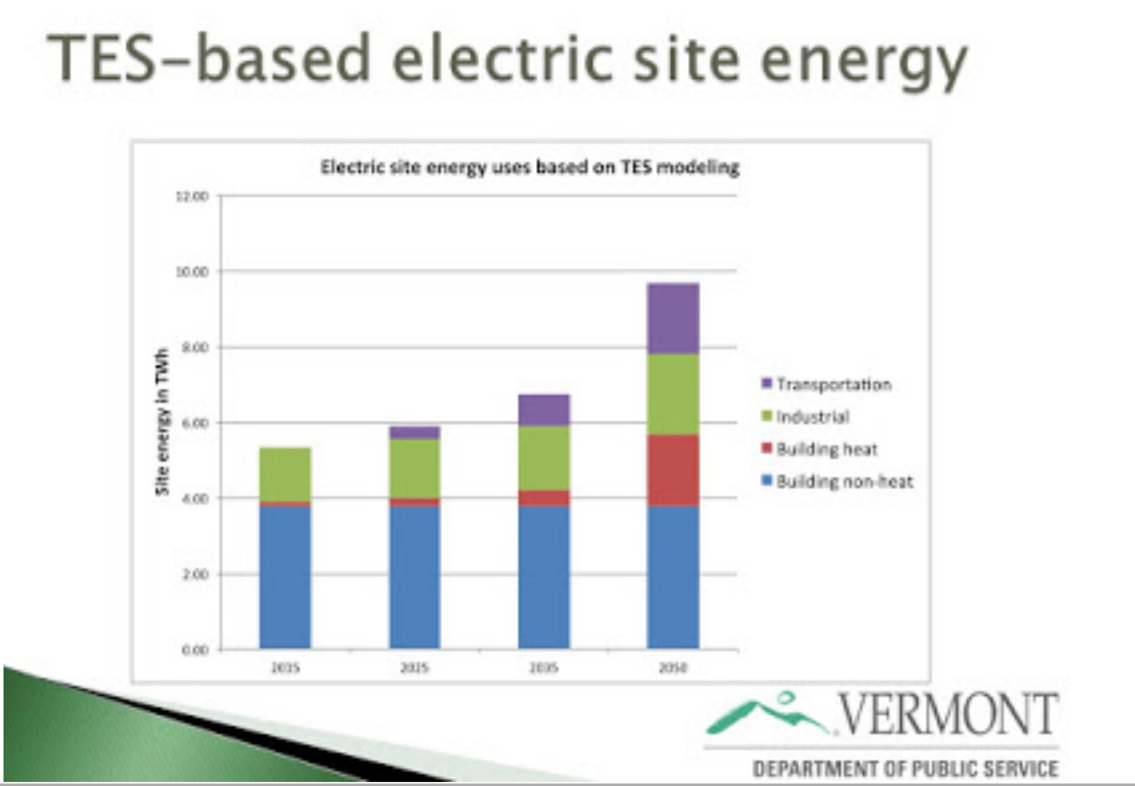
All that white space at the top right must be filled with renewables.
The last few slides in the presentation show the PSD grappling with this problem. A slide labelled "Question #1 background cont." includes the following:
"Expected identified resources ….leave 46% of the electric portfolio undetermined."

Here come the cars and heat pumps

If you look at the 2015 chart above, you will notice that the line at the top (how much electricity Vermont is projected to require) slopes up gently to the right. On that chart, the Vermont electricity requirement number seems to hang right around 6,000,000

MWh (6 TWh) for fifteen years.

But if you look at another chart in the same viewgraph presentation, you get quite a different picture. This is Vermont projected electricity use from the TES (Total Energy Study) done for the PSD. The TES study included all sectors of energy use, and predicted that Vermont can lower total energy use significantly. However, to do this, Vermont will use considerably more electricity (electric vehicles and heat pumps). The chart below sums this up.



Future Vermont Electricity Use, from Total Energy Study and PSD presentation

In this chart, as building heat (heat pumps) and transportation (electric vehicles) kick in, the Vermont energy use goes from around 5 TWh in 2015, to around 9 TWh in 2050.

In other words, the Known Electric Resources chart ended in 2030, with just a gentle uptick in demand, as shown by the top line of the chart. For that top line, PSD used a VELCO projection of energy use, instead of referring to their own PSD studies. I don't know what study they used for the "46% of the portfolio" number. However, if Vermont really runs all sectors on renewables and therefore electricity, we are going to need much more electricity than estimated by VELCO. Vermont electricity use practically doubles by 2050. It looks to me as if "46% of the portfolio…. is undetermined" could be a serious underestimate of the problem.

Where will we get so many renewables? I think that buying from Hydro Quebec seems the only realistic option. And of course, HQ will love the sight of Vermont needing to buy their power! Talk about Vermont having no bargaining position whatsoever.

Ah well. We can always write to the PSD, and encourage them to read their own reports.

EAI 2015 Legislator Roll Call Profiles Are Out!

If you haven't yet checked out your legislators' Roll Call Profiles, please do so. See how they voted, share the links with your friends and neighbors, and send lots of letters to editors!

http://ethanallen.org/vt-legislator-roll-call-profiles-2015-update/

Please Help Us Hold Montpelier Accountable! Make a Contribution to EAI today.

Thanks to all who have already made a donation to our 2015 campaign! For those who haven't yet, please help us fight all the potential taxes mentioned above and other encroachments on our liberty. Be generous. We're only as strong as you make us. Thanks!

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P.S. EAI is a 501c(3) nonprofit, educational organization that neither solicits nor accepts government funding. Contributions are TAX DEDUCTIBLE for businesses and individuals.

News & Views

Welcome Tribute: "Last week the spectacular Ethan Allen Institute released its annual roll call of Vermont lawmakers…There isn't a better compilation that we know of, to illustrate how you are being represented in Montpelier." – Caledonian Record editorial (including first seven EAI House roll calls, and the votes of local representatives. Three subsequent editorials completed the voting record coverage.) 7/7/15.

Vermont's Fiscal Condition. The annual state rankings (for 2013 data) from the Mercatus Center show Vermont 39th among the states. The state escaped a lower ranking mainly because its state debt ratio is half of the national average. For categories used, and weightings, see mercatus.org/statefiscalrankings.

The Speaker Speaks of Expanding the Sales Tax. "[House Speaker Shap] Smith also supports extending the sales tax to services. In the long run, he says, the state will have to move in that direction in order for the tax system "to reflect the economy that we live in." (VTDigger 5/5/15) Actually Vermont will have to move in that direction to suck up more sales tax dollars to finance its unsustainable spending, which is preying "on the economy we live in."

Charging Soda Tax Is a "Nightmare." A July 8 story on WPTZ chronicles just how big a pain in the neck Vermont's new sales tax on sweetened beverages is for small businesses charged with collecting the money for the state. For example, "Tonic water is sweetened with corn syrup. It's therefore taxable. (But) seltzer water does not have any sweeteners added to it, so this product is not taxable." In addition, customers purchasing sweetened beverages with an EBT (food stamp) card are not charged the tax. "It's just been a nightmare," said Pam Trag, the owner of Quality Market in Barre and Hardwick Village Market in Hardwick. "It's very confusing."

ACLU Says School District Consolidation Incentives Are Unconstitutional. According to Vermont Digger, Alan Gilbert, executive director of the ACLU in Vermont, says, "Act 46, the new school district merger law, which features an adjustable limit on how much a school can spend over the next two years, 'violates the equity provision, of the Brigham decision and the Vermont Constitution.'" Brigham says that all kids must have substantially equal access to the tax base to fund their education, and a system where some kids' access is financially rewarded while others' is fined violates that equity.

Why Are Vermonters Fleeing? "Part of that is because we have no true business growth. We're probably one of the most anti-business-friendly states in the country — I know that for a fact. We're getting our lunch eaten by New Hampshire and New York…. Every other law that's passed here is not business friendly. This year they passed mandatory sick leave, and it's mandatory this and mandatory that. They don't understand that if you're a small business owner, you're practically already living on the margins to begin with in this state, and something's going to fall." - Isaac Chavez, CEO of the Vermont Realtors, quoted in VT Watchdog.

Why Are Vermont's Star Start Up Businesses Fleeing? "Earlier this year, IrisVR relocated to New York City. Last month, Blu-Bin packed up for Silicon Valley. And Ello has just two employees still working in the Queen City — the rest are in Colorado. The companies left in search of bigger markets, more networking and greater employee satisfaction." – Seven Days, 7/29/15

What Vermont's New Energy Law Means for the People Who Live Here. "We're probably going to have to abandon the car… In Vermont, people like to live 10, 20, 30 miles from work. That's going to disappear. The 10-acre lot way out in the middle of nowhere on a dirt road is not going to be working anymore. It's going to get expensive to live like that. So we have to get closer to where we work." - David Blittersdorf, CEO of All Earth Renewables, speaking at the Addison County Democrats' "Vermont's Energy Future" presentation.

The Economic Importance of Preserving Vermont's Landscape. The Vermont Roots Migration Project of UVM recently published the results of a survey asking people why they leave, stay or return to Vermont. For those who stay here, the number one motivational factor was “I enjoy Vermont’s landscape” at 70%. For those who return, Landscape was the second highest factor behind “Missed my family.” So, naturally we’re going to blight our landscape with windmills and solar panels.

The World is Decidedly Not Following Vermont’s Lead on Renewables. “[Australian Prime Minister] Abbott’s conservative coalition government has ordered the taxpayer-funded $10 billion Clean Energy Finance Corporation (CEFC) to immediately cease any new investments in wind power projects…. “Up close, they’re ugly, they’re noisy and they may have all sorts of other impacts. It’s right and proper that we’re having an inquiry into the health impacts of these things.” (Simon Kent, 7/12/15). Britain, other nations and many U.S. states are emulating Australia – not Vermont. So much for the “global leadership” rationale for our energy policy.

Detroit...Greece...Puerto Rico...Does Anyone See A Pattern? “…just look at the most recent high-profile cases of economic collapse—Detroit, Greece, and Puerto Rico. Here are three entities that, theoretically, should not be up for comparison, given their wildly different histories, geographies, economies and demographics. Yet note any honest analysis of their financial troubles, and they read the same….They have all had large, expensive and inflexible public sectors and entitlement systems. And rather than encouraging the economic growth to support such bloat, they have taxed and regulated away their private sectors, only increasing the debt burden. It’s as if no official in either of these three places took a rudimentary look at how to run a government, based on the reasonable management of expenses versus revenues. The question is—just how many decline narratives like these must occur before pundits finally catch on?” – Scott Beyor, Forbes, 7/8/15.

Or, In a Nutshell. “… Greece. It's a socialistic state that has high tax rates on the rich, generous welfare benefits, strong unions, a tight regulatory environment and all the other things [Left wing Columnist Paul] Krugman preaches — and it's now functionally bankrupt.” – Stephen Moore

Democrats Bury Jefferson and Jackson. “Under pressure from the NAACP, the [Connecticut] state Democratic Party will scrub the names of the two presidents from its annual fundraising dinner because of their ties to slavery.” (NR Jolt 7/23/15) Our comment: limited government, pro-liberty, hard money, pro-growth Jefferson and Jackson are probably relieved to be divorced from today’s Democrats.

Jefferson on Self-Government. "I know no safe depositary of the ultimate powers of the society but the people themselves; and if we think them not enlightened enough to exercise their control with a wholesome discretion, the remedy is not to take it from them, but to inform their discretion by education. This is the true corrective of abuses of constitutional power." --Thomas Jefferson to William C. Jarvis, 1820.

Book of the Month

Disinherited

How Washington Is Betraying America's Young
By Diana Furchtgott-Roth and Jared Meyer
Encounter Books, 2015

Young people today have been "disinherited" from America's promise of economic opportunity because of profligate government spending and the endless expansion of the welfare state. That is the premise of the important and highly-relevant new book, Disinherited: How Washington is Betraying America's Young, by Diana Furchtgott-Roth and Jared Meyer of the Manhattan Institute.

"Politicians in Washington are taking from the future earnings of young people, many of them not old enough to vote, to pay for services for their parents and grandparents, who do vote," they write. The result is a "future of decreased opportunity" for adults under age 30, many of whom "have given up on finding work and are leaving the labor force."

Furchtgott-Roth and Meyer focus on the huge tax burden young people face in financing the nation's burgeoning debt, driven largely by New Deal and Great Society entitlement programs, as well as the cost of the regulatory state, the failure of our educational system, and the mountain of college debt young people face today.
They single out the Affordable Care Act as a new direct hit on young people.

Young adults are harmed in a number of ways by ObamaCare, they explain. They must purchase expensive health insurance covering a long list of "essential health benefits" that few want or need. Failure to comply triggers federal financial penalties. Buying this expensive insurance puts undue financial burden on those struggling to find a job in this weak economy and, for many, paying off expensive college loans.
But the discrimination against the young doesn't end there. The health care law also requires them to pay more for their health insurance so older people can pay less through a federally-imposed system of insurance pricing rules.

"In 2014, 27-year-old males saw their premiums rise an average of 91 percent because of the law. In contrast, premiums for the average 64-year-old rose only 32 percent," they write.

And for most young people, buying this expensive insurance makes little economic sense. "People under 30 spend on average $600 a year on medical costs," they explain, yet "a typical 27-year-old would have to spend $2,513 [out of pocket on medical costs] before getting any benefits [from insurance]. No rational person would buy such a product."

The penalties aren't steep enough to coerce a healthy number of young people to enroll in ObamaCare coverage for the risk pools to balance out. So the Obama administration targeted Millennials through slick advertisements encouraging them to sign up. More than $700 million marketing dollars were spent on everything from magazine ads in Cosmopolitan to the president himself appearing on Zack Galifianakis' "Between Two Ferns" to promote the ACA. Even still, Millennial enrollment fell short of the White House's 2013 goal of 40%, coming in at just 28% in 2014.

But the cynical targeting of the young – who voted overwhelmingly to elect President Obama – doesn't end there. The ACA also requires employers to provide expensive, ACA-compliant coverage for their workers or pay a fine. This makes it even more expensive for businesses to hire new, full-time employees – especially young people needing to learn job skills so they can get started in their careers.

The authors urge Washington to get rid of the unnecessary regulations imposed by the ACA to allow for a more robust health insurance market that allows young people to select coverage that is right for them. They also call for repealing the employer mandate, which is crippling creation of the very jobs that young people most need.

Young Americans voted for then-Sen. Obama over Sen. John McCain 66% to 32% in 2008 – more than a two to one margin. In 2012, they voted 60% to 37% in favor of President Obama over former Gov. Mitt Romney. Since young people were such overwhelmingly strong supporters of Mr. Obama in both elections, it is especially cynical that they were in the bull's eye of his signature health reform legislation. Furchtgott-Roth, former chief economist at the Department of Labor, says that "Young people have been the biggest losers in the economic recovery." She and Meyer conclude that the ACA "constitutes a major deterrent" to economic expansion and is "costing the economy jobs."

And they write that the harm of the law is only beginning since the Congressional Budget Office projects the ACA will add $1.4 trillion to the federal budget deficit over the next 10 years while it forces people to purchase ever-more-expensive health insurance – new hidden taxes on the young.

"Greater engagement by the young alone will not sufficiently pressure Washington to change course. Americans of all age groups need to understand the level of unfairness current policy creates," they write. "At the same time, Washington must allow young people to use the skills they have. This means America must evaluate its countless regulations, laws, and policies through the prism of how they affect new entrants to the workforce."

Their analysis in this book is based upon hard data and exposes a deep fault line in the welfare state. The phrase by former British Prime Minister Margaret Thatcher could be more accurately rephrased to say "at some point, you run out of young people's money."

Meyer and Furchtgott-Roth's plea is to "let young people flourish." Let's hope legislators wake up to the harm they are doing to the next generation before their promise of success is forever lost.

- *Review by Grace-Marie Turner, president of the Galen Institute (galen.org), a non-profit research organization focusing on market-based health policy solutions. This review first appeared in Forbes, June 23, 2015. It is reprinted here with permission.*

The Final Word

August Survey: **Are you ready to urbanize the Vermont lifestyle, and industrialize our landscape?**

But before you answer, a little background…

In 2014, the legislature passed H.40 (Act 56), an ambitious renewable energy bill that requires the state to generate 75% of our electricity from "renewable" sources by 2032.

Representatives Tony Klein (D-East Montpelier) and Rebecca Ellis (D-Waterbury), the chair and vice chair of the House Committee on Energy and Natural Resources, recently participated in a forum called *Vermont's Energy Future* explaining what this law means for Vermont's future. Here are some highlights as reported by Vermont Watchdog:

"(To reach) 3,000 megawatts, you can put about 15 megawatts per mile — so that's 200 miles of ridges [developed with industrial wind towers]." – David Blittersdorf, CEO of All Earth Renewables. *Notes: Vermont is just 154 miles long. To reach the 75% renewable goal will require 6000 megawatts of new generation. Vermont currently generates about 100 megawatts from renewables.*

"…people will have new lifestyles. Vermonters accustomed to driving will have to seek out mass transit; homes heated by oil and propane will require conversion to solar, wood and biomass sources aided by heat pumps…" David Blittersdorf

"In Vermont, people like to live 10, 20, 30 miles from work. That's going to disappear. The 10-acre lot way out in the middle of nowhere on a dirt road is not going to be working anymore." David Blittersdorf.

"Without the benefit of cars, Vermonters living in rural areas will need to relocate to cities and towns to survive. 'We got to get people to live where they work and get into the community. They can't be living everywhere." - David Blittersdorf.

To subsidize this development in part, Blitersdorf and Klein recommend that "lawmakers should pass a $100-per-ton carbon tax on distributors of fossil fuels. The tax will generate an estimated $500 million annually…." - David Blittersdorf. *This translates into a substantial additional per gallon tax on gasoline.*

Gov. Peter Shumlin says, "Vermont is leading America in getting energy policy right,"

Rep. Tony Klein says, "… it's going to require the development of a lot of wind and a lot of solar in the state," Klein said. "But that's what we want."

Our question to you: Is this REALLY what we want Vermont's future to look like?

Make Your Voice Heard! Take the survey at:

https://www.surveymonkey.com/r/ZVBKVH5

CLICK HERE TO TAKE THE SURVEY

Comments may be made available to legislators. Respondents will remain anonymous, so please take a moment to leave a civil comment!