



1 Washington Electric Cooperative, Inc

P.O. Box 8, 40 Church Street
East Montpelier, Vermont 05651

Telephone: 802-223-5245; Fax 802-223-6780
www.washingtonelectric.coop

Filed ePUC

February 2, 2018

Judith Whitney, Clerk
Vermont Public Utility Commission
112 State Street
Montpelier, Vermont 05620-2701

Case No 17-5257-INV

RE: Review of the Standard-Offer Program

Washington Electric Co-op (“WEC”) provides comments to the Public Utility Commission (PUC) in case number 17-5257-INV regarding review of the standard-offer program. In its order dated December 29, 2017, the PUC announced it is opening a proceeding to review the effectiveness of the standard-offer program. As discussed in more detail below, the goal of this proceeding is to develop an improved, transparent, and methodologically sound framework for selecting standard-offer projects that will benefit the operation of the distribution system while fulfilling the Commission’s statutory goal of the rapid deployment of standard-offer projects at the lowest feasible cost.

The commission accurately noted some areas of the state have experienced significant growth in generation build out including standard offer photovoltaic systems which in some situations is causing issues to the grid. Portions of the transmission and distribution grid cannot accommodate additional generation resources without significant investments in additional infrastructure. In one area of the Vermont grid, known as the Sheffield-Highgate Export Interface (“SHEI”), the addition of new generation resources has affected the bulk transmission system and resulted in depression of market prices paid to other renewable resources in the area (ie lowering their economic benefit) as well as the curtailment of existing renewable generators in that area of the grid. The net result is increased cost to Vermont rate payers which goes against the Commissions statutory goal of lowest feasible cost.

WEC is a member-owned Vermont distribution utility. WEC fully supports renewable energy and its continued development that create benefits to Vermont. Indeed, WEC’s power mix is 100% renewable. However, the development of renewable energy projects that cannot be served by existing or planned transmission facilities, are inconsistent with Vermont’s Comprehensive Energy Plan, and the state’s overall goals to provide affordable clean power to rate payers. Standard offer projects locating in the SHEI add to curtailment of other renewable energy

projects, reduce ISO-NE payments to WEC's existing renewable assets causing economic harm to WEC and its member-owners through higher retail rates.

In 2017 WEC lost \$180,741 in lost revenue due to depressed wholesale power costs in the SHEI area (due to its interest in the Sheffield Wind project and the Coventry Landfill Gas to Energy Generating Plant). Sheffield Wind project and Coventry landfill gas plant make up 75% of WEC's power supply portfolio and both are in the SHEI area. Therefore, energy market revenue erosion in the SHEI area is impacting WEC significantly. Additional development of standard offer projects in the SHEI area will contribute and exacerbate these impacts and worsen the overall SHEI problem adding rate pressure to WEC members. Standard Offer project development should be allowed but only in conjunction with transmission solutions and other infrastructure measures that resolve and address the SHEI problem. At each of the two delivery points (Coventry and Sheffield nodes) congestion has cost WEC \$106,598 from June 2016 through December 2016 and in 2017 (from January 2017 to December 2017) congestion costs totaled \$180,741. This lost revenue translates to a 1.3 percent increase in rates.

WEC supports the Commission's opening a proceeding that assesses the effectiveness of the current RFP process and the criteria that the Commission uses to award standard-offer contracts. The Commission seeks input in the following areas:

1. Should the Commission be selecting projects in the RFP process using additional criteria besides price? For example, should the Commission develop a method for adjusting bid prices to reflect the costs or benefits associated with interconnecting a distributed energy resource at a particular location on the grid?

WEC supports adjusting bids to reflect the cost and benefits of a power project interconnecting to the grid. In areas where curtailments and wholesale price suppression are occurring (such as SHEI) WEC recommends use of temporary suspension of new standard offer projects until the existing issues are fixed.

2. What data should the Vermont distribution utilities be making available to ensure that standard-offer projects are proposed in areas that do not result in additional costs to the system or that provide the greatest benefit to the system?

Significant data and information is readily available through the VPSC process. WEC supports making use of the VSPC process to communicate and identify grid limits throughout Vermont. VSPC invites improvements in its process and has an overall goal of increasing communication and effectiveness of Vermont electric grid and infrastructure planning process. Hence this tool should be used. Also, WEC as part of its Integrated Resource Plan assesses issues germane to its transmission and distribution and operation systems including that of distributed generation and saturation points on its system.

3. Should the Commission alter its process for identifying projects that would offer "sufficient benefits" pursuant to Section 8005a(d)(2)? For example, should the Commission develop a method for determining the value of a proposed distributed energy resource and offer

contracts where the estimated value of benefits offered by a project exceeds the cost of the project? The Benefit Cost Analysis Framework adopted by the New York Public Service Commission is one example of a method to value the costs and benefits of distributed energy resources.

WEC supports use of an auction method to determine price of standard offer projects (with the exception of setting prices in constrained zones as in these areas the price should be set differently). The drawback of the New York method is it removes market signals and pricing efficiency of companies competing to win contracts. Vermont rate payers benefit from developers competing through a bidding process. State set rates cannot take into account market efficiency and technology innovation as it occurs. The best way to assure the lowest price for Vermont rate payers is to continue using an auction approach. It forces the price to be set by market forces rather than a regulatory construct.

4. Should the Commission develop criteria to allow distributed generation projects with storage capacity to participate in the standard-offer program?

WEC supports projects making use of storage but details of how the storage is controlled to benefit the state and participating utilities will have to be addressed. Control of peak may benefit utilities differently.

5. In certain circumstances, the program incurs transmission service costs (also referred to as “wheeling”) because the output of standard-offer projects must be allocated to several of the Vermont electric distribution utilities. Should the Commission adopt program requirements to reduce the cost of transmission service associated with standard-offer projects?

WEC recommends continuing the current process of charging wheeling fees. An agreement was reached among all the utilities to assure fairness and this process is working well. By continuing the practice of assessing wheeling fees, the PUC assures costs are fairly distributed across the state and no one utility is burdened with an unfair distribution costs to build and maintain infrastructure beyond its share of requirements in the standard offer program. Clustering of standard offer projects is taking place and this puts financial burdens on utilities. For example, if all standard offer projects were located in a small utility’s service territory like WEC, the utility would be saddled with extra costs and required to build and maintain transmission equipment to move power for the benefit of other rate payers outside its service territory.

WEC currently has a transmission wheeling tariff and WEC charges one standard offer 2.2 MW project wheeling fees. By charging the cost of transmission prorata to other Vermont DU’s the project costs of transmission are spread out across Vermont which creates just and reasonable rates. WEC notes that standard offer projects connected to its distribution system it does not charge fees to move power. WEC currently has a 2.0 MW standard offer project in Williamstown and another 1.5 MW project is being planned in the same area. The cost to maintain these lines and work with the developer during outages and other events is borne entirely by WEC which creates cost to WEC members.

6. Are there any statutory changes that the Commission should recommend to the Legislature to improve the standard-offer program? For example, what recommendations should the Commission make regarding the ability of distribution utilities to seek exemptions from the program pursuant to 30 V.S.A. § 8005a(k)(2)(B)?

WEC supports retaining an exemption for utilities like WEC that are leaders in procuring and building renewable power plants. The spirit of the exemption was to reward utilities that made significant investments in renewable projects and especially for those like WEC that did so **before** laws were enacted that required other utilities to add renewable power to their power mix. Before renewable requirements of 30 V.S.A. § 8005 were created, WEC already had sufficient power supply to make it 100% renewable (Coventry landfill gas to energy Project, Hydro Quebec contract, Wrightsville Hydro, Sheffield wind, NYPA, VEPPI, etc). Rewarding early adopters is a hallmark of any good legislation and WEC adamantly opposes removal of an exemption.

Not only is WEC 100% renewable but we have committed power supply sufficient to meet load requirements for the next 20 years (ie we are committed long term and in most years excess power). Requiring WEC to absorb more power when it is excess is inconsistent with 30 V.S.A. § 218 c (least cost planning principles) and it does not meet the provisions necessary in 30 V.S.A. § 248 that require a utility to meet the need for present and future demand for service. Requiring WEC to take on standard offer power when it has already made renewable investments does not meet the Commission's statutory goal of the rapid deployment of standard-offer projects at the lowest feasible cost as it would add cost unnecessarily to WEC.

We thank you for the opportunity to respond. If you need additional information do not hesitate to contact us.

Sincerely,



Patricia H. Richards
General Manger