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Case No 18-0086-INV

RE: Biennial Update of Net Metering Program Follow up Comments

Washington Electric Co-op (“WEC”) is filing comments responding to the Department of Public Service’s (“DPS”) filing dated March 1, 2018 in case number 18-0086-INV. The Department in its comments recommended changing the REC adjuster from 3.0 cents per kWh to 2.5 cents. It also calculated the statewide blended rate of 15.417 cents per kWh and recommended keeping the siter adjuster of 1.0 cents per kWh. The impact of the DPS rate proposal is effectively little to no change in rates of compensation for net metered systems.

WEC supports net metering and wants to create a sustainable pace. Act 99 explicitly notes that the net metering rules will take into account the pace of deployment and balance over time that pace while minimize cost shifting (see §8010 (c) (1)). WEC has analyzed the costs and benefits of net metering and cost shifting to other members is occurring. In 2017, solar installations saved WEC \$0.0867 per kWh (which is the economic value of reduced power cost related expenses from net metered systems). However, WEC is paying \$0.1890 in credits for excess generation (\$0.1490 statewide blended rate + \$0.03 REC adder + \$0.01 siting adder) and it is losing revenue from reduced retail sales (which is mostly occurring at second block retail rate of \$0.23160). This means WEC is losing a minimum of \$0.10253 for every kWh installed under the new program and up to \$0.1849 cents per kWh when valued at the send block of our energy rates. The simple fact is this loss of revenue is transferred to other WEC members through increasing rates. WEC seeks action by the PUC to reduce the adders and credits applied for future net metering systems. The current pace is not sustainable and the value proposition is causing cost shifting to other WEC members.

As WEC noted in its February filings, 2017 was a record setting year for installations. WEC had more kW than any previous year installed and the highest number of members installing systems in a year. In fact, we had more participation in one year than the prior four years combined! Please see WEC’s filing dated February 1, 2018 for data on rate of participation. The current pace is unsustainable and it is clearly not in the spirit of the PUC’s intent to slow the pre-2017 explosive pace of installations.

WEC calculated and compared the value stream between the Net Metering under its Legacy plan (pre 2017) to that offered through the state’s 2017 plan. Credits received under the current 2017 state wide plan result in more monetary payment than WEC’s Legacy plan. WEC seeks relief by

lowering the rates paid to net metering systems. A reduction in the siting and REC adjuster would mitigate some of the financial cost shifting.

Another option the PUC could consider and which WEC understands is being proposed by Renewable Energy Vermont (REV), is to change the program structure to pay gross kWh generation the statewide blended rate rather than allow net metered generation to offset the high block energy rates that are greater than the statewide blended rate. Renewable Energy Vermont has recognized the issues WEC faces and is proposing an alternative means to lower compensation for future installations. WEC prefers to decrease the siting and REC adjuster but if the PUC will not consider that change, then REV's proposal could be an alternative that WEC will consider.

Please see REV's comments which WEC understands are summarized as follows.

The new method utilized to calculate the net metering bill credits under utilities with rates that exceed the statewide blended retail rate is unnecessarily cumbersome and delivers a higher net metering value than is needed for a reasonable pace of deployment. For example, a residential customer in WEC's service territory is effectively able to offset a two tiered energy rate of 23.2 cents per kWh for use above 200 kWh and 10.4 cents for energy use below 200 kWh. Production above what is used at the home (net excess production) is then compensated at a rate of 14.9 cents which is the blended statewide rate. Since the revised net metering rule requires bill credits to be assigned based on gross production, rather than to coincide with the customer's selected tariff, at a rate of 23.2 cents WEC members that install net metered generation receive significantly higher incentives than the state wide blended rate which creates unnecessary compensation for those installing net metered systems in WEC's territory. In the end, the rate that WEC pays is a mix between the statewide blended average and the composite of the two-tiered energy rate which is significantly higher than the 14.9 statewide blended rate.

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