STATE OF VERMONT
BEFORE THE
PUBLIC UTILITY COMMISSION

Review of the standard-offer program	**)**	**Case No. 17-5257-INV**
	)	

COMMENTS OF ALLCO RENEWABLE ENERGY LIMITED

In response to the memorandum of August 15, 2018, Allco Renewable Energy Limited ("Allco") submits the following comments addressing steps to improve the function of the standard-offer program; and recommendations the Commission should make to the Vermont General Assembly concerning the standard-offer program.

At the technical hearing of August 2, 2018, there were some comments from participants that the standard offer has run its course and should be retired. No renewable energy facilities will be built in Vermont without a long-term revenue stream. The standard-offer program provides that to small power producer projects, rate recovery provides that to utilities, and long-term net metering off-take arrangements provides that for net-meter projects. Those are the fundamental and basic principles of project finance. Without programs like the standard-offer, the deployment of renewable energy would be turned-over to monopoly utilities whose primary objective is shareholder profits. For decades, even after the perils of climate change were known, utilities only took marginal steps in response to directives or goals established by regulators. Monopoly utilities are focused on expanding their rate base, which does not serve the urgent goal of transforming to a 100% renewable energy economy as quickly as possible, particularly when generation and distribution are under the same utility umbrella.

At a time when California has just committed to be 100% renewable energy based *and* 100% carbon-free by 2045, and scientists continue to warn of the approaching tipping point, Vermont should not be retreating by eliminating the standard-offer program.

Moreover, now is the time to fully value the societal costs that current utility generation resources have imposed, and continue to impose, on society. Societal benefits should be accounted for in a standard-offer fixed feed-in-rate program. While an analysis specific to Vermont may lead to somewhat different numbers, a recent report from the staff of the California Public Utilities Commission ("CPUC") provides good indicative numbers for the societal value of distributed solar projects such as standard offer projects. That report shows the dollar value and other benefits from distributed energy resources, such as standard offer projects, in abating the harmful effects of climate change and the adverse health effects of fossil-fuel use are very, very large. *See*, CPUC Docket R14-10-003, Order of March 14, 2018, *An Energy Division Staff Proposal Addendum #2.*[1] While such a conclusion should come as no surprise to Californians who are on the front lines of experiencing the effects of climate change—massive wildfires, mudslides, drought and other extreme weather events, even a cursory review of the value assessment leads to the likely conclusion that in Vermont standard offer projects result in a large net positive for ratepayers under any scenario.

Now is not the time for the standard-offer to be expanded and the Massachusetts SMART program provides a good example of how Vermont could expand the standard-offer.

I. Steps the Commission should take to improve the function of the standard-offer program.

A. Create A Framework For 30 V.S.A. §8005a(d).

Section 8005a(d)(2) describes what must be shown for a plant to receive a standard offer

[1] http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M212/K023/212023660.PDF. Using the social cost of carbon rates shown in the CPUC staff proposal at page 16 of the pdf, the levelized benefit from a standard offer project would be roughly $85.75 per MWh over a 20-year term contract. That would be added, of course, to the benefits from electricity, capacity, and network regional transmission service.

contract outside the cap. The plants must have "sufficient benefits to the operation and management of the electric grid or a provider's portion thereof because of their design, characteristics, location, or *any other discernible benefit*."[2] (emphasis added.) In 2013 the Department of Public Service correctly described this provision as implementing a standard avoided costs analysis. The plain language of the statute and its legislative history show that the Department's 2013 interpretation was the correct one. If the forecasted avoided costs from a project equal or exceed the price proposed by the generator then the Commission should consider that project to have "sufficient benefits to the operation and management of the electric grid," and issue a contract.

The Commission should use this statutory grant to implement a version of the Massachusetts SMART program with fixed rates and incorporate the societal benefits derived from the operation of the grid with renewable energy versus its current operation with predominantly fossil fuels, which continues to harm society and impose hidden costs everyone.

II. Recommendations the Commission should make to the Vermont General Assembly concerning the standard-offer program.

A. Expand The Program.

Programs like the standard offer program serve a critical role in expanding the development of renewable energy. Vermont produces less than 35% of the electricity it consumes and depends on power from the New England grid and Canada. https://www.eia.gov/state/?sid=VT. That means that Vermont ratepayers are spending 65% of their electricity dollars to support jobs, taxes and

[2] 30 V.S.A. §8002 (23) "Vermont composite electric utility system" means the combined generation, transmission, and distribution resources along with the combined retail load requirements of the Vermont retail electricity providers.

economic activity in other States or Canada. Those dollars are better spent to create economic activity in Vermont, particularly while the federal government provides the 30% tax credit. Coal, Oil and Gas resources represent approximately 71% of ISO-NE's fuel capacity, and that is expected to rise to 76% by 2025 (see: https://www.iso-ne.com/about/key-stats/resource-mix), which are a few of the reasons to significantly increase the standard offer capacity. *That 76% number is shocking*, and should cause the Legislature to take firm, bold action like California.

Now is not the time to turn the clock back and rely on monopoly utilities to deploy renewable energy.

B. Add a Storage Component.

Storage as part of a renewable energy project provides significant additional benefits to ratepayers, which GMP has quantified in its recent filings regarding storage as an addition to its solar projects. The standard offer statute contains no restriction on creating a separate technology allocation for a solar project with storage, but a legislative change would provide firm direction for storage in Vermont, and enable standalone storage projects. Vermont need only look to the Massachusetts SMART program which incorporates a stand-alone storage component. Any implementation of a storage component should also provide for storage to be added to existing standard-offer projects.

Respectfully submitted,

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