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

Case No. 17-5257-INV: Standard Offer Program Review

Dear Ms. Whitney:

The Vermont Public Utility Commission (PUC) opened a proceeding to review the effectiveness of the standard offer program. In the PUC's letter dated August 15, 2018 it requested participants file comments with the Vermont Public Utility Commission addressing: (1) any steps the Commission should take to improve the function of the standard-offer program; and (2) any recommendations the Commission should make to the Vermont General Assembly concerning the standard-offer program, including recommendations related to the exemption set forth at 30 V.S.A. § 8005a(k)(2)(B) and any issues arising from that exemption.

The PUC has identified several problems with the current standard offer structure. WEC believes costs for renewable resources qualifying under standard offer could be lowered with a new approach. Siting and location of generation is a significant issue that are increasing costs of projects in sub-optimal locations.

WEC understands that the Department of Public Service (PSD) plans to submit a proposal, that if approved, would restructure standard offer in a way that requires each utility in the state to issue RFP's for renewable sources to meet certain state renewable mandates and goals such as the Renewable Energy Standard (RES). The concept of a new structure of renewable procurement is designed to be more aligned with a utility's load and power supply needs.

Each utility has differing load and supply needs. Knowledge of grid infrastructure and the best location to site new generation is best managed by each utility. WEC believes a utility run model could reap many benefits including reduced cost, avoidance of wheeling, resource selection that is consistent with each utilities' IRP, better siting of new generation, and resource enhancements such as co-locating generation with evolving peak control technologies (battery storage).

WEC reserves its comments until having an opportunity to review the PSD's proposal. In the event the PSD submits a better procurement design, it is possible that the items listed in the PUC's workshop notice dated June 21, 2018 could be addressed and eliminated.

Absent a new standard offer program design that is workable to utilities like WEC that are 100% renewable, then WEC strongly supports continuation of the exemption. The exemption was created for utilities that made significant investments in renewable sources of energy long before state mandates were adopted. WEC was an early adopter of renewable technology and did so at its own direction. In fact, WEC will meet all of its load needs for the foreseeable future with renewable power (and have excess renewable power in many period) for the next 20 years. WEC has already met the Comprehensive Energy Plan goal of 90% renewable by 2050, and it has exceeded the RES Tier I 55% requirement of 2017 as well as the 75% requirement of 2032. Eliminating this exemption would penalize WEC's member for their foresight by requiring WEC to take on new sources of power. This would also be inconsistent with WEC's power and least-costs planning requirements. Specifically, WEC points to 30 VSA §§ 202a, 202b, 218c, and §248.

Section 218(c) requires utilities to follow a plan that meets its member load needs in a least cost manner and requires that new power supply resources fill a **need** at the lowest life cycle cost while meeting the state's laws and other environmental requirements. WEC does not have a **need** for new renewable sources of power as it already has excess energy for the next 20 years to fully meet its customer's energy needs. Furthermore, WEC has met the 2032 Tier 1 requirements of the RES. Specifically, 218 (c) states:

A "least-cost integrated plan" for a regulated electric or gas utility is a plan for **meeting the public's need for energy services**, after safety concerns are addressed, at the **lowest present value life cycle cost**, including environmental and economic costs, through a strategy combining investments and expenditures on energy supply, transmission, and distribution capacity, transmission and distribution efficiency, and comprehensive energy efficiency programs. Economic costs shall be assessed with due regard to (emphasis added):

- (A) the greenhouse gas inventory developed under the provisions of 10 V.S.A. § 582;
- (B) the State's progress in meeting its greenhouse gas reduction goals;
- (C) the value of the financial risks associated with greenhouse gas emissions from various power sources; and
- (D) consistency with section 8001 (renewable energy goals) of this title.¹

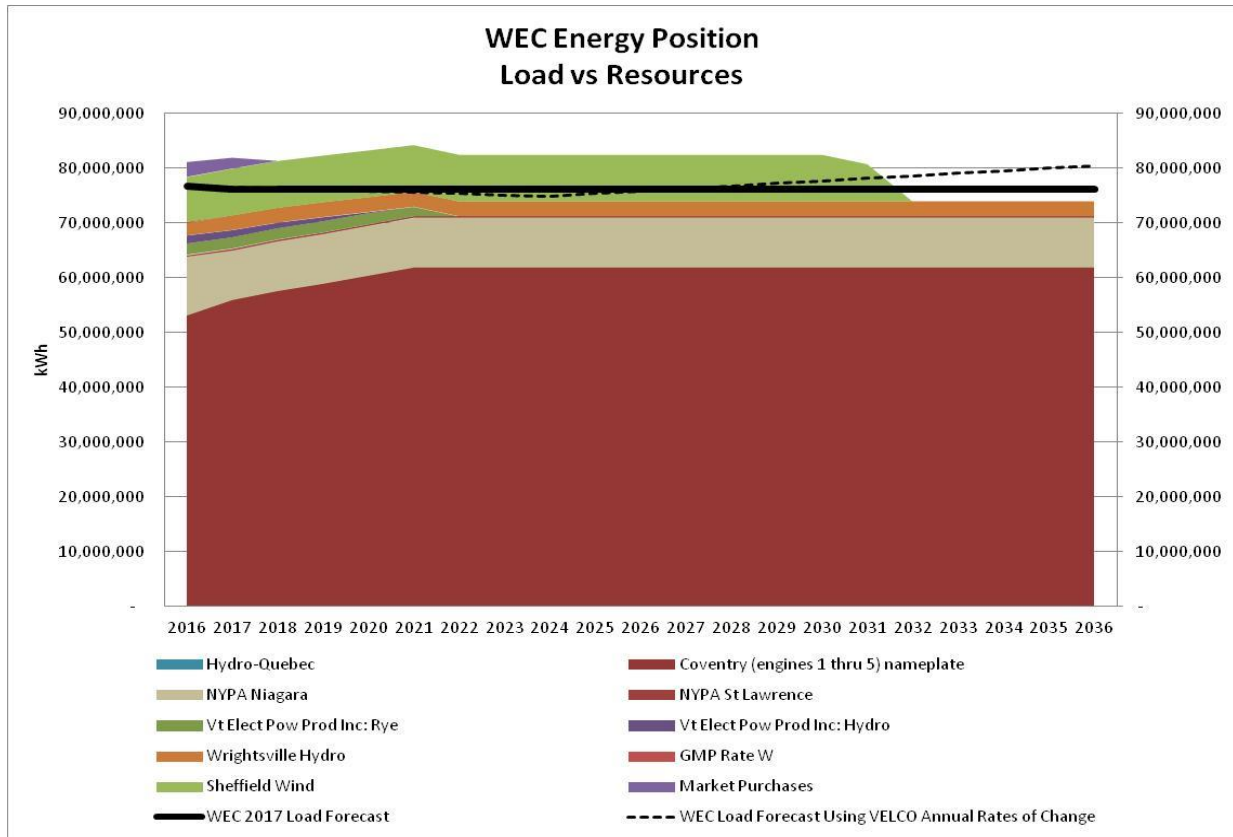
¹ 30 VSA 218 (c)

The standard offer program was established in 2009 by lawmakers as an effort to increase renewable generation development in the state and to help Vermont utilities that had gaps in their power supply mix as compared to load procure instate renewable sources of power. Lawmakers in that legislation recognized that early adopters like WEC that had already become 100% renewable and that had invested in generation in the state before 2009 should not be required to take on more power as it would increase an excess position and cause increased cost to WEC consumers. In 2009, WEC had already invested in the Coventry landfill generating plant and entered a contract to buy power from a wind farm in Sheffield. WEC's supply mix and long-term comparison of supply to load is provided below. As provided in the chart it is clear WEC has excess power for the next 20 years. WEC's sources of power are predominately from instate renewable resources which was the underlying goal of standard offer.

Vermont Statute 30 V.S.A. § 202a states the purpose of the Energy Policy of the State of Vermont as follows:

- (1) To assure, to the greatest extent practicable, that Vermont can meet its energy services needs in a manner that is **adequate**, reliable, secure and sustainable; that assures **affordability** and encourages the state's economic vitality, the efficient use of energy resources and cost-effective demand side management; and that is environmentally sound.

- (2) To identify and evaluate on an ongoing basis, resources that will **meet Vermont's energy service needs in accordance with the principles of least cost integrated planning**; including efficiency, conservation and load management alternatives, **wise use of renewable resources** and environmentally sound energy supply.



If the exemption were removed, the power would be not needed and since it is above market would does not meet the cost-effective test.

WEC appreciates the opportunity to respond and for your consideration in this matter. If you need additional information do not hesitate to contact us.

Sincerely,

Patricia H. Richards
General Manger