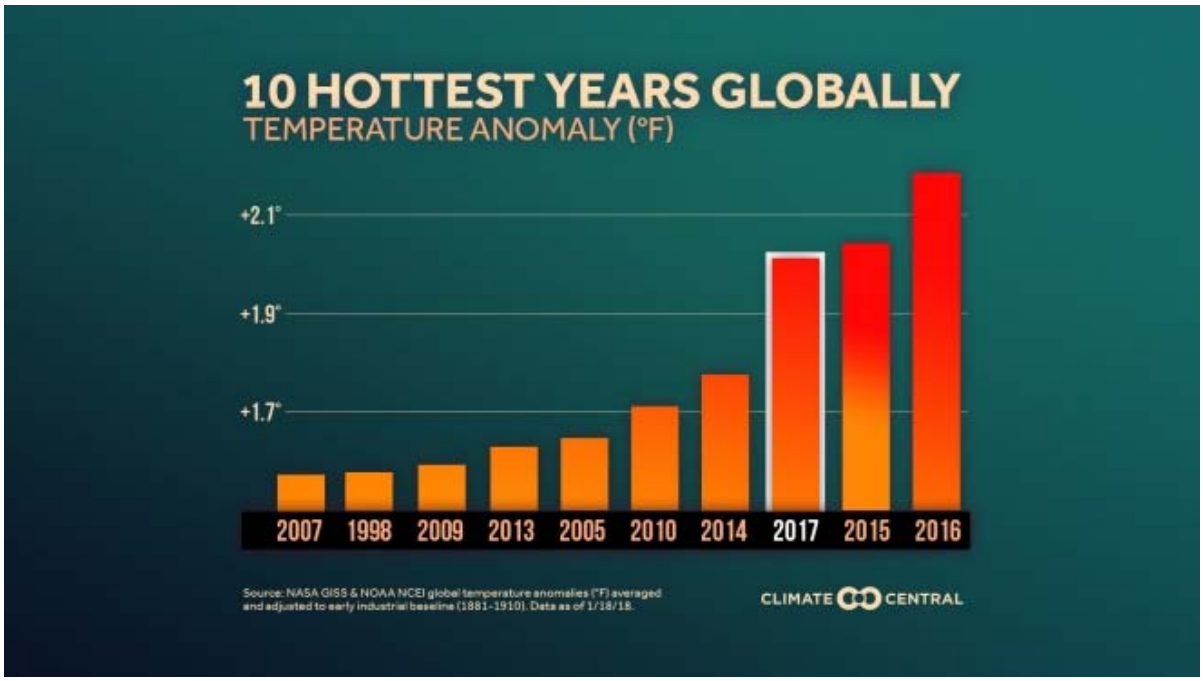
STATE OF VERMONT
BEFORE THE
PUBLIC UTILITY COMMISSION

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

COMMENTS OF ALLCO RENEWABLE ENERGY LIMITED

It is true, as the Department notes, that there have been many significant developments since 2009 when the standard-offer was first enacted.



In 2009, there was concern regarding the effects of climate change and an emerging scientific consensus regarding the adverse effect of carbon from fossil fuels. As the above chart illustrates, since 2009, the temperature increases have been alarming. 2018 is shaping up to be the fourth warmest year on record, and, as the New York Times recently reported: "For many scientists, this is the year they started living climate change rather than just studying it."[1]

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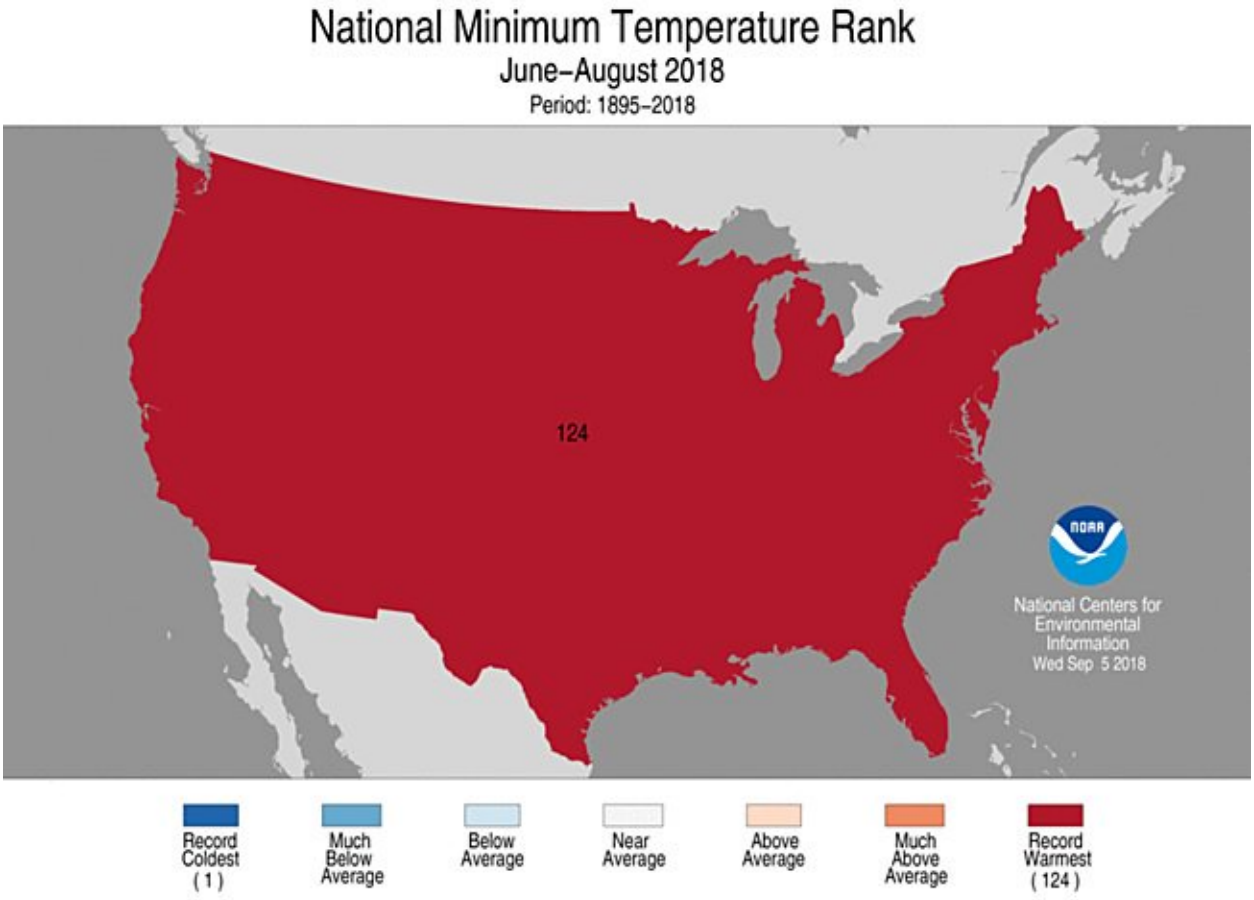
[1] https://www.nytimes.com/2018/08/09/climate/summer-heat-global-warming.html.

Burlington, Vermont, set its all-time record for the hottest night on July 2—the temperature never dropped below 80 degrees. This past summer was the warmest summer ever recorded in the United States as the NOAA map below shows.



And the news continues to get worse. On September 28, 2018, the Washington Post reported:[2]

> Last month, deep in a 500-page environmental impact statement, the Trump administration made a startling assumption: On its current course, the planet will warm a disastrous 7 degrees by the end of this century. A rise of 7 degrees Fahrenheit, or about 4 degrees Celsius, compared with preindustrial

[2] https://www.washingtonpost.com/national/health-science/trump-administration-sees-a-7-degree-rise-in-global-temperatures-by-2100/2018/09/27/b9c6fada-bb45-11e8-bdc0-90f81cc58c5d_story.html?utm_term=.a5efca4a1e81.

levels would be catastrophic, according to scientists.

The Department's comments are fatally afflicted with a common agency disease—tunnel vision—looking narrowly at trading prices of energy and capacity rather than societal costs from energy choices.

The utility competitive procurement model has been shown time-and-time again to not be up to the challenge needed. In most cases such a model is merely window-dressing so that utilities and heads of State government can point to "grand" plans to fight climate change. It creates a fleeting feel-good atmosphere that is all but illusory. And just like is presently happening in Vermont, behind the scenes there is usually a movement to expand fossil fuel use.

A good example of the failure of the competitive utility procurement model is one of Vermont's neighbors to the south—Connecticut. In 2013, the then new governor spearheaded a utility competitive procurement model for renewable energy enacted in public act 13-303. The first phase was to deploy hundreds of MWs of renewable energy by 2014-2015. In 2015 the governor doubled down on that approach, committing billions of Connecticut ratepayer-dollars for out-of-state projects, and millions of dollars of administrative costs. The result thus far? One 20 MW solar project. The initial solicitation was, not surprisingly, an epic failure, with a stunning over 90% failure rate.

Another example is one of the programs discussed in the Commission's workshop in this docket—California's Re-MAT—a program very similar to the standard-offer. That too has been an epic failure. Excluding projects at the initial *administratively set* feed-in tariff rate in 2013, only 3 solar projects have reached commercial operation under the Pacific Gas and Electric Company ("PG&E") Re-MAT program, representing a paltry 3.498 megawatts, an infinitesimal

amount for PG&E.[3] To put it in context, at the Re-MAT's current rate of "*success*," it would take more than 1,000 years to add enough solar energy to replace just one of PG&E's fossil-fuel generating stations. California's touted alternative—the Standard Contract which is the equivalent of Vermont's Rule 4.100—fares even worse. Since its inception almost a decade ago, not one new solar facility has been built in PG&E territory under that program. Those results are identical to Vermont's Rule 4.100.

But neither the public nor the climate has the time to wait for the penny-wise, pound-foolish, carnival barker approach of utility procurements. The fact that someone is ready to "step right up and play the game," in a competitive procurement does not mean success. It only means that some generators may be prepared to take the only offer available to them. In comparison, the failure rate is almost non-existent in programs such as Massachusetts SREC2/SMART program that provide a mechanism for sustained, rapid and predictable growth for solar (including with storage). The administrative costs are also low. Crucially, the Massachusetts program recognizes there is a social cost of carbon, and it pays a fair, value-based, price to generators.

The real question is what type of planet do you want for your children, grand-children and great-grand-children. Governments have already burdened future generations with massive debt in order to, among other things, protect the use and extraction of fossil fuels. Just as the national debt clock continues to rise, so too does the cost of not being carbon-neutral. And even at the current pace of RPS mandates, ISO-NE is forecasting an increase in fossil fuel use. Coal, oil and

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[3] *See,* PG&E's most recent RE-MAT status report (November 2017), available at: https://pge.accionpower.com/ReMAT/documents.asp?strFolder=c.%20PPAs%20Awarded/&filedown=&HideFiles=True. *See also*, May 2018 RPS report. http://www.cpuc.ca.gov/RPS_Reports_Data/. (last visited July 31, 2018).

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). *That 76% number is shocking*, and should cause the Legislature to take firm, bold action like California, and improve and expand the standard-offer program.

The social cost of carbon continues to rise with each new storm, each new heatwave, each new flood. 1,000-year storm events are now happening every year. Now is the time to expand the standard-offer program and move to 100% renewable energy as soon as possible. Eliminating the standard offer program is a step backwards.

Suggested Improvements To The Standard-Offer Program To Address The Department's Comments

Of course, the standard-offer could, and should, be improved. The Department's critiques of the standard-offer program are addressable within the program itself. *First*, a storage component should be added at a fixed per MWh rate for existing and new standard-offer projects. That rate could use the storage model from the Massachusetts SMART program, adjusted for Vermont. The rate must act as an incentive, and the operation of the storage component would be controlled by the grid operator to address real-time demands and changing peak loads. *Second*, just like the Massachusetts SMART program, locational adders and subtractors can be put in place to provide an incentive or disincentive for the siting of projects. *Third*, an adder could be provided if the project is supported by the local town. Such an adder would encourage cooperative planning among towns and developers and, more importantly, provide the source of a socialized fund to share with the local town. *Fourth*, the wheeling costs can and should be eliminated, as Allco has previously argued, by a paper financial settlement framework. There is no need to wheel the energy. Thus the costs of wheeling would be eliminated. *Fifth*, the provider block should be eliminated. A provider would be free to participate just as any other generator.

We must also take issue with the Department's claim that the standard-offer program is administratively inefficient. That is not the case. For one thing, the Department's approach would merely trade one administrative process for another, which in the aggregate would not result in administrative economy. But more than likely it would be more administratively burdensome to supervise a utility administered competitive process. As the Department's comments foreshadow, such a competitive procurement in the Department's view would involve more administration as more and more evaluative criteria are reviewed, plus increased litigation. Connecticut and Massachusetts (outside of the SREC/SMART program) are examples of administrative agencies spending millions of dollars supervising a handful of competitive solicitations, in an effort to squeeze every penny out of the cost of energy under a power purchase agreement, all the while ignoring the social cost of carbon. Vermont should learn from the mistakes of its neighbors, not repeat them. Connecticut, for example, appears to have taken some lessons from its mistakes. Under newly enacted legislation, it is now moving to a feed-in tariff model for distributed generation along the lines of Massachusetts' SMART program.

Commentator Annette Smith has cited the Sudbury public hearing as something that should be watched. We agree as one moment sums up what is at stake. Sudbury resident Jeannie Albert (starting at 39:46 of the video) states:

> I want to support solar projects. I happen to think that when I see them that they make me feel good …. I want it to be on record that when I drive by and see a large blanket of solar panels, I'm thinking nobody died to produce that energy. And that's really important to me. So what do we get out of it? We get energy that's clean, we get energy that no one has to like go overseas and die so that we could have it.[4]

[4] Sudbury's Town Plan now proudly contains an aerial photo of the Sudbury project. The Town of Sudbury also has been collecting almost twice the annual tax revenue from the project than they had originally requested. Tax revenue was the major concern at that public hearing.

Vermont has always been a small state in size, but it has never been small in spirit or impact. The Flag of the Green Mountain Boys, predating the Vermont Republic, is still used by the Vermont National Guard. Now is not the time to abandon that spirit and retreat into relying on monopoly utilities to deploy the bare minimum amount of renewable energy. But now *is* the time to expand the standard offer and move more aggressively in deploying renewable energy.

Respectfully submitted,

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