

STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 17-5257

In re: review of the standard-offer program	
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COMMENTS OF VERMONT ELECTRIC COOPERATIVE, INC.

Vermont Electric Cooperative, Inc., (VEC) reiterates the comments that it submitted on February 2, 2018, in response to the Order Re Notice of Proceeding issued on December 29, 2017, as follows:

The Renewable Energy Standard Will Ensure that Vermont Meets Its Renewable Energy Goals, thus Obviating the Need for the Standard Offer Program.

VEC believes that it is time to reconsider the need for the standard-offer program in its present form. The program was conceived and implemented at a time when utilities were not pursuing renewable energy resources, largely because the price of such resources was higher than that of traditional electric generation resources. As part of the SPEED program, the standard-offer program filled a gap and provided support for renewable resources that the state deemed good public policy. With the adoption of the Renewable Energy Standard (RES), utilities now have a mandate to acquire renewable resources to meet state goals, and they have proven able to do that in a cost-effective manner. For example, VEC now has sufficient renewable resources in place to meet its RES goals at least through 2022. These resources cost less than many of the Standard Offer projects that are in the current program.

Certainly with respect to solar resources, the Vermont distribution utilities have been able to develop projects or (in VEC's case) negotiate purchase power contracts to obtain resources to meet their RES goals at competitive prices without the need for the standard offer program. The value of having utilities take on the role of acquiring renewable resources is that they can ensure that such resources are placed on their systems in the best location given grid considerations.

Standard Offer Projects Should Not Be Accepted In the SHEI Export Constrained Area.

To the extent that the program is continued, VEC urges the Commission to place a pause on locating any new standard-offer projects within the Sheffield-Highgate Export Interface (SHEI) until a solution can be developed to address the curtailments and pricing impacts that continue to occur, to the detriment of Vermont ratepayers. As the Commission is well aware, VEC and other Vermont distribution utilities are facing cost increases as a result of generation within the SHEI that exceeds the export limits of the electric grid in that area. Under current conditions, these market forces have caused significant economic impacts on VEC and other distribution utilities with entitlements to existing generation resources in the SHEI. Cost estimates to address current curtailments start at \$10 million, with some options being considered substantially more expensive.

Beyond current conditions, there are pending generation projects within the SHEI totaling up to an additional 69 MW. Any new generation in the SHEI will exacerbate curtailments and electric rate impacts, causing further harm to Vermont ratepayers.

With no mechanism to take these impacts into account through the current auction process, projects in the SHEI may be awarded a contract and displace a contract outside the SHEI even though the net effective cost of the project in the SHEI is higher. VEC urges the Commission to place an indefinite pause on new standard-offer projects within the SHEI to allow time to identify the least-cost solution to this serious problem.

In the event that the Commission continues to allow standard-offer projects within the SHEI, VEC believes that bid prices for such projects should be adjusted to reflect the fact that such projects increase costs for utilities and their ratepayers and therefore provide less value.

If the Standard Offer Program Continues, the Commission Should Recommend Removal of the Provision in the Statute that Allows Exemptions for Utilities from Participation in the Program.

VEC believes that the exemption in §8005a(k)(2)(B) conflicts with current state energy policy and has the potential to render the standard-offer program unsustainable as more utilities claim an exemption.

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With the enactment of the Renewable Energy Standard, the legislature intended to encourage small, in-state renewable energy resources, which include standard-offer projects. The exemption allows a utility to purchase energy from large out-of-state wind projects (with or without retaining the renewable attributes of the energy) and thereby avoid purchases from in-state standard-offer projects. This exemption seems to be a clear disconnect from current state policy and should be eliminated going forward.

As to lack of sustainability, the obvious question is what happens if Green Mountain Power, VEC, and the remaining municipal utilities enter contracts that allow them to join WEC, BED, and Swanton Electric in becoming exempt from the standard-offer program? Who then pays for the standard-offer power?

In sum, the standard offer program was a successful in acquiring renewable resources at a time when there utilities were not pursuing such resources on their own. With the passage of the RES, the regulatory environment has evolved and Vermont utilities are fully engaged in procuring resources to meet state goals in the least-cost manner. The state can celebrate “mission accomplished” and sunset the program. Thank you for the opportunity to comment.

Respectfully submitted,

VERMONT ELECTRIC COOPERATIVE, INC.

A handwritten signature in blue ink, appearing to read 'VJB', with a long horizontal line extending to the right.

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