ELECTRIC DEPARTMENT
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September 21, 2018

Ms. Judith Whitney, Clerk
Vermont Public Utility Commission
112 State Street, 4th Floor
Post Office Drawer 20
Montpelier, VT 05623-2701

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

Dear Ms. Whitney,

The Town of Stowe Electric Department ("Stowe") offers the following comments in response to the Public Utility Commission memorandum dated August 15, 2018 in case number 17-5257-INV regarding review of the standard-offer program.

The standard-offer program was designed to address constraints and trends which are no longer paramount. It was first developed and implemented during a point in time where the technological and regulatory landscape is very different from today. Deployment of distributed renewable generation projects was slow and much more costly and Vermont's budding renewable industry was seen as an avenue to achieve economic development. Today, wide-spread participation in the State net-metering program and the falling prices of renewable power due to advancements in technology have spurred significant growth in renewable capacity in Vermont. Arguably the largest difference in the current landscape stems from the implementation of the Renewable Energy Standard ("RES"), as DUs are now subject to long-term, incremental mandates for continual procurement of renewable energy for their supply portfolios, including a requirement to source power from small-scale renewable projects

interconnected with the Vermont grid. In light of these and other considerations that have led to Vermont achieving status as a leader in renewable development, it is appropriate to take the time to reassess the design and effectiveness of the standard-offer program as currently implemented.

Stowe has concerns about the standard-offer program's suitability when taking into consideration least-cost principles and believes that the RES provides sufficient incentive for DUs to source renewable resources in a more cost-effective manner. When a DU is pursuing a PPA or developing a utility-owned project, the full costs and benefits of that power are built into the associated price paid by the DU. This has resulted in the utilities pursuing resources that best suit their portfolio planning. The development of Stowe's 1 MW Nebraska Valley Solar project is a prime example of a resource that would not have been capitalized on if it had not been pursued by a utility due in part to its intent to address RES requirements. Stowe recognizes that other DUs have taken steps to develop similar projects of their own.

If the standard-offer program is to continue in its current format, Stowe would recommend that future bids are evaluated in a manner which reflects the true costs of that power. This would require the assessment of said power through the lens of possible constraints due to siting. As it is presently employed, the standard-offer RFP process awards contracts without taking such concerns into account. As a result, many standard-offer projects have been constructed in rural areas of certain DU service territories and are not sited near load. Some of these DUs host more standard-offer project capacity than their pro-rata share and therefore allocate the associated wheeling charges to the other DUs.

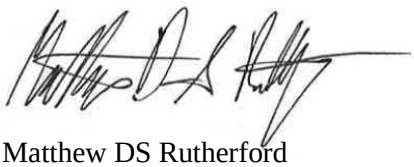
The implication of growing wheeling costs is of particular concern to Stowe. It is unlikely that Stowe will ever be the host utility for a standard offer project. This is due in large part to the fact that our service territory is a combination of concentrated development and large swaths of land which are subject to conservation easements and other development restrictions. Stowe also has limited transmission. So, while some utilities may be able to recover a certain amount of the wheeling costs through collecting their own wheeling revenue associated with projects in their service territory, the likelihood is very slim that Stowe will ever host capacity that exceeds its pro-rata share. As a result, Stowe faces the reality that

continued development within certain DU territories will continuously raise the cost of Stowe's standard-offer allocation.

The impact of this cost-shift to non-host utilities could be addressed would through the development of a capacity cap tied to a DUs pro-rata share of the standard-offer resources. This would restrict the development of new projects in the service territories of DUs who have already met or exceeded their cap. It would have the additional benefit of encouraging developers to build projects beyond areas of existing transmission constraints.

The concerns over the shifting of costs to certain utilities is further exacerbated by program exemptions provided pursuant to 30 V.S.A. § 8005a(k)(2)(B). The provision allowing for exemption from the standard-offer program has the potential to render the program itself unsustainable. It was designed as a statewide program and as more utilities claim exemption, the remaining utilities and their customers are required to take on increasingly larger shares of the associated costs. Although it is provided by statute, this exemption has the potential to undercut the program as a whole. It raises the obvious question of who will purchase the power if all of the utilities were to receive exemption by meeting the statutory conditions. It is also inconsistent with current state policy. Both the standard-offer program and the RES are intended to support the development small, distributed renewable generators within Vermont. Yet the exemption can be achieved through the procurement of energy from large, out of state generators, with or without retiring the associated attributes. This concern of pursuing renewable resources without retiring their attributes was one of the focal points of the Act 56 and the RES rulemaking.

Stowe appreciates the opportunity to comment on this matter. Please let me know should you have any questions.



Matthew DS Rutherford
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Town of Stowe Electric Department