

October 19, 2018

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

Re: Case 17-5257-INV – Review of the standard-offer program

Dear Ms. Whitney:

In an Order dated August 15, 2018, the Public Utility Commission (“Commission”) requested comments regarding:

- (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 Vermont distribution utilities (“DUs”) have reviewed the comments filed on September 21, 2018 and reply comments filed on October 5, 2018 and concluded that it would be most appropriate for the Commission to recommend that the Legislature phase out the standard-offer program by eliminating standard-offer solicitations after the 2019 Request for Proposals. The DUs further agree that utilities that have been exempted by PUC Order from participation in the standard-offer program should be able to remain exempt for the duration of any standard-offer contracts, provided these DUs maintain 100% renewability in their power supply portfolios. This proposal is supported by the City of Burlington Electric Department (“BED”), Green Mountain Power Corporation (“GMP”), the Town of Stowe Electric Department (“Stowe”), Vermont Electric Coop (“VEC”), Vermont Public Power Supply Authority (“VPPSA”), and Washington Electric Coop (“WEC”).

As noted by many commenters in this proceeding, Vermont’s Renewable Energy Standard (“RES”) is now the overarching state energy policy, and Tier 2 of the RES has supplanted the standard offer program in driving renewable energy development in Vermont. Utilities are helping to meet Vermont’s energy goals via implementation of the RES. To do so, utilities partner with developers to construct projects, pursue long-term planned purchase agreements, and/or purchase renewable energy certificates (RECs) from Tier 2 eligible facilities in their efforts to comply with their RES requirements in the most cost-effective manner. The RES Tier 2 requirement ensures support for local renewable energy projects that meet Vermont’s energy and climate goals by utilizing a REC compliance element similar to other New England states. Retaining the standard-offer program in the context of the RES does not result in additional renewable energy being dedicated to Vermont customers beyond the RES requirements.

Phasing out the standard-offer program will address many of the complicated implementation issues that have limited the effectiveness of the program in maximizing ratepayer benefits. For instance, the structure of the current standard-offer program has resulted in projects being sited in constrained locations that impose additional costs on ratepayers and can reduce the economic value of existing renewable generation, instead of achieving intended benefits. Under the RES structure, by contrast, utilities have a natural incentive to locate projects in a manner that provides the greatest benefits to their customers.

The DUs are in agreement that it is appropriate to allow those utilities that made early investments in renewable energy to continue to request exemption from the standard-offer program in any subsequent period in which they meet the current exemption criteria. Because allowing additional DUs to become exempt from existing standard-offer contracts could compromise the overall structure of the program, the DUs believe the Commission should recommend to the Legislature a statutory change that would preclude a utility that had not previously been granted a standard-offer exemption from becoming exempt from the program.

The standard-offer program was an important part of Vermont's previous renewable energy development strategy. It has served its purpose and been effectively replaced the more comprehensive RES. The DUs are working to implement programs that are having a positive impact on reducing fossil fuel use and cutting greenhouse gas emissions, such as the RES Tier 3 initiatives to support electric vehicles and transportation. It is an appropriate time to conclude the standard-offer program and focus efforts on meeting the RES goals in the most cost-effective manner possible.

Thank you for your consideration of these supplemental comments.

Sincerely,

A handwritten signature in cursive script that reads "Melissa Bailey". The signature is written in dark ink and is positioned above the printed name and title.

Melissa Bailey
Legislative and Regulatory Affairs Representative
Vermont Public Power Supply Authority