



December 4, 2018
Judith Whitney, Clerk
Vermont Public Utility Commission
112 State Street
Montpelier, Vermont 05620-2701

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

Dear Ms. Whitney:

BED submits the following reply in response to GMP's letter filing of December 4, 2018 in the above referenced docket.¹

The joint filing made by the Vermont utilities on October 18, 2018 (and referenced by GMP in the December 4 filing) reflected recommendations on several key components.

1. Retention of the existing standard offer exemption for those utilities that had previously been exempt
2. A new requirement to retire RECs equal to retail sales (in addition to sourcing the energy from renewable resources) to qualify for the exemption
3. A proposal that the Standard Offer program is no longer needed and has in fact been superseded by the RES Tier 2.

BED supported the positions in that filing, with an understanding that it would not change current exemption requirements, and that utilities that have previously qualified for the exemption would be able to continue to do so in the future as they can today. Furthermore, for clarity, current exemption requirements are established on a year-by-year basis, with a one year loss of exemption not affecting in any way future eligibility for exemption in later years.

BED's point of disagreement as it relates to component 1 above revolves around the effect of a loss of exemption in a future period. GMP concludes that the joint filing is recommending, "...if an exempt utility fails to qualify for the exemption in any year, that utility should not be able to apply for the exemption again". GMP goes on to say that if this is not accepted, "The PUC could of course consider a force majeure exception in the event that a catastrophic weather event removes a generation facility from an exempt entity's portfolio. If the PUC were in favor of allowing an exempt utility to renew its exempt status after failing to qualify for one or more years, GMP recommends that the renewed

¹ It is BED's understanding that the Vermont Electric Cooperative supported GMP's letter filing as well.



exemption only apply to future, and not past, standard offer obligations". Neither the conclusion reached by GMP, or GMP's alternate proposal reflect BED's intent when the joint filing was drafted.

BED continues to strongly support continued year-by-year eligibility for the exemption by utilities that have qualified for it to-date. BED specifically believes that GMP's proposal would reach an inequitable result, by shifting costs to utilities that aggressively pursued renewable resources under prior state policies due to the inability to meet exemption requirements in one particular year. BED (as well as WEC and Swanton) have committed to renewable resources sufficient to meet their load for some period of time. The proposal by GMP would potentially result in a poor hydro output year, or an unplanned generator outage, resulting in a permanent return to being allocated energy from standard offer resources regardless if such resources were needed in future years. A filing being made by VPPSA on behalf of Swanton today (BED was provided with a draft) appears to make abundantly clear how such an event could happen, and shows clearly how inequitable such an event or one like it to justify that utility's permanent loss of the standard offer exemption would be.

BED believes existing statutory eligibility for the exemption by utilities previously granted an exemption (BED, Swanton and WEC), should continue for any twelve-month period where they meet the current exemption test. This is consistent with the exemption as currently written, and as relied on by BED in making numerous resource decisions subsequent to the implementation of the Standard Offer program. These resource decisions have involved BED entering long term commitments for renewable resources, frequently at higher than the market prices for non-renewable resources, and in renewable portfolio percentages far in excess of those of many other VT utilities (even allowing for those utilities receiving Standard Offer power and BED being exempt). Moreover, BED believes that the year-to-year nature of the current exemption is consistent with the intent of the legislature and designed to recognize the potential for year-on-year changes in the output of renewable resources (rather than designed to require utilities who are seeking 100% renewability to materially oversupply to avoid these permanent loss of exemption).

With regard to components 2 and 3, above; from the joint utility filing on October 18, 2018, BED is prepared to meet an additional requirement to retire RECs to meet the exemption criteria, and to support the termination of the Standard Offer program as part of a package of changes that allow BED to continue to qualify for a Standard Offer program exemption year-by-year. BED remains supportive of those changes recommended by the PUC, provided the final legislative recommendation also includes the exemption provision as requested by BED above.



Sincerely,

James L. Gibbons

Director of Policy and Planning

Burlington Electric Department