

December 6, 2019

Ms. Judith C. Whitney, Clerk
Vermont Public Utility Commission
112 State Street, Drawer 20
Montpelier, VT 05620

Re: Case No. 19-0855-RULE - Proposed revisions to Vermont Public Utility Commission Rule 5.100

Dear Ms. Whitney,

On November 1, 2019, Vermont Public Power Supply Authority (VPPSA) submitted its response to the Public Utility Commission's (Commission) request for information regarding net metering compensation under Rule 5.100. Other stakeholders filed comments regarding the costs and benefits of net metering in Vermont. VPPSA submits the following reply comments to topics raised in other parties' November 1st filings. While VPPSA's November 1st filing was submitted jointly with Burlington Electric Department, the following reply comments are exclusively VPPSA's.

Net Metering and Climate Change

Filings by the distribution utilities and Department of Public Service in this proceeding highlight that the benefits of net metering are 1) diminishing and 2) achieved more cost-effectively through other means. As the State contemplates how to best achieve its energy and climate goals, net metering needs to be compared to other strategies to specifically promote development of renewable generation in the electric sector and more broadly address climate change across all sectors.

Several commenters asserted that more net metering is needed in order for the State to meet its climate and energy goals. Claims that more net metering is needed to meet State goals are misleading; net metering, in and of itself, does not yield *unique* climate benefits that are distinct from other renewable distributed generation. None of the filings presented any analysis of how, or to what extent, net metering provides specific climate benefits or greenhouse gas reductions. VPPSA maintains that the *environmental benefits* provided by net metering are the same as those provided by other distributed renewable resources. By paying net metering customers in

excess of the value provided by their generation and requiring utilities to use those resources to meet renewable energy requirements, the State is dictating *how* renewable requirements will be met and, in fact, locking ratepayers into paying more than is necessary to ensure renewable energy deployment. The State could instead elect to use ratepayer funds to do significantly more Standard Offer or utility community solar projects and get more renewable deployment at the same cost.

The *unique* benefit of net metering is that it allows customers to self-generate a portion of their electricity needs while continuing to rely on the distribution grid. Net metering generation is often, though not always, located adjacent to the load it is intended to serve. Under Vermont's current net metering rule, net metering generation can be located remote from the load that it "serves" from a billing perspective. Generation that is not net metered can also be located adjacent to load, as is the case when utility-owned projects are located on leased rooftop space. Thus, the topic under consideration by the Commission in this proceeding is not the climate benefit of renewable generation, or the need for more distributed renewable energy resources throughout the state, but rather the financial construct of net metering in Vermont and the impact of that construct on ratepayers.

If meeting Vermont's climate goals were as simple as maintaining high compensation levels for net metering generation, then the state would be well-positioned to meet these goals. In reality, achieving the necessary greenhouse gas reductions will require a variety of strategies and prudent expenditure of public resources. It is inaccurate to imply there is a choice between meeting climate goals and lowering net metering compensation levels. In fact, the converse is likely true. The State may well be better able to meet its goals if net metering compensation is lowered to align more closely with the value it provides and revenue becomes available to spend on other climate change mitigation strategies.

Keeping net metering rates artificially high reduces utility resources that can be invested in other initiatives to reduce fossil fuel use across the state. For example, if Vermont implemented the same magnitude of subsidies around home weatherization it has invested in net metering, weatherization would become a profitable endeavor and there would no doubt be increased uptake and economic development from that sector. Net metering is not the only, or necessarily the best, strategy for investing in the clean energy economy.

Combating climate change will require public investment and may necessitate consideration of benefits that are not currently monetized. However, there are serious equity concerns when

those non-monetized benefits are used to justify a program that allows some customers to make a profit by generating electricity while other customers are required, through their utilities, to pay significantly more than the value received.

Net Metering Compensation

Some commenters have suggested that decreasing net metering compensation rates, reduces net metering deployment. Reduced net metering rates will likely result in lower levels of net metering deployment because net metering becomes a less profitable endeavor as compensation rates decline. Customers that would be motivated to net meter in order to pay less than they otherwise would for their electricity may not elect to net meter if compensation levels are reduced. As discussed above, slowing the pace of net metering may be appropriate if there are more cost-effective methods for combating climate change.

Should the Commission have concerns that reducing net metering compensation rates will make net metering projects *unviable* from a customer perspective, the Commission could dig into the installed costs of net metering systems and request transparency from the developers, installers, and customers that benefit from the program. The Commission's investigation has delivered detailed information on the costs and benefits of net metering from the utility and ratepayer perspective. The missing component from this analysis are the costs to install net metering systems and the compensation rate needed to offset those costs.

One of the many criteria the Commission is required to satisfy in administering its Net Metering Rule is that Rule 5.100 should maintain a program that "ensures that all customers who want to participate in net metering have the opportunity to do so."¹ While statutory language is subject to interpretation, one fairly straightforward method for ensuring that net metering is available to those who want to participate is to make it revenue-neutral from the customer's standpoint. In other words, Vermonters that are motivated by the desire to self-generate will still be able to do so if the cost to install a net metering system is less than or equal to the rate paid back over time through the net metering credits received.

Without disclosure from developers around the costs to install net metering systems the Commission and stakeholders can't accurately gauge whether reducing net metering compensation levels will reduce the viability of net metering from the customer's standpoint. It

¹ 30 V.S.A. .§ 8010 (c)(1)(E)

would be extremely informative for developers to put forward the compensation rate needed to cover the installed cost of net metering projects, including material, labor, and profit. This would allow for a productive discussion of appropriate compensation levels rather than alarmist statements that reducing net metering rates will slow deployment.

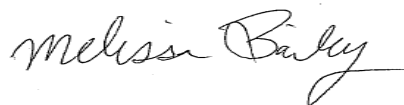
It is worth noting that under the current net metering structure the Commission cannot know how much of the net metering compensation lands in the customers' hands and how much is absorbed as profit or return on investment. Vermont's renewable energy policy need not ensure generous return on investment to for-profit companies. Currently, there is no mechanism to ensure that net metering compensation is passed on to customers. As such, any efforts to provide preferential compensation rates, especially for lower income Vermonters, would need to be accompanied by an assurance that these financial incentives reach the customers.

Recommendation

Because net metering compensation rates currently exceed the value provided by that generation and lower cost alternatives exist, it is appropriate to explore ways to reduce net metering compensation while maintaining Vermonters' ability to self-generate electricity. The Department proposed one potential compensation structure that would allow customers to offset their monthly consumption at retail rate and pay customers for monthly excess generation at a rate designed to reflect the value of the generation. The Department's proposal represents a reasonable compromise between continuing to pay significantly more for net metering generation than the value it provides and reducing net metering rates to a value-derived rate for *all* generation. VPPSA is supportive of a workshop process focused on further consideration of this and other proposals to establish appropriate net metering compensation levels.

Thank you for your consideration of these comments. Please contact me (mbailey@vppsa.com or 802-882-8509) with any questions you may have.

Sincerely,

A handwritten signature in black ink that reads "Melissa Bailey". The signature is written in a cursive, flowing style.

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