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December 6, 2019

Ms. Judith Whitney, Clerk
Vermont Public Utility Commission
112 State Street
Montpelier, VT 05620-2701

Re: Reply Comments in Case No. 19-0855-Rule – Proposed Revisions to Vermont Public Utility Commission Rule 5.100

Dear Ms. Whitney,

The Town of Stowe Electric Department ("Stowe") submits the following comments in reply to informational responses filed with the Public Utility Commission's ("PUC")on November 1, 2019.

Stowe largely supports the comments submitted by the Department of Public Service ("Department") as they, among other topics, highlight the need for a discussion over the efficacy of Vermont's existing public policies when considering the State's various climate and energy goals. The Department of Public Service's comments pointed out that the introduction of the Renewable Energy Standard ("RES") as Vermont's cornerstone energy policy has already had a measurable impact on the renewability of the state's electric resource mix yet the State has made much slower progress on its thermal and transportation energy goals. Comments from the distribution utilities and the Department point out that Vermont's net-metering program, while successfully spurring development of distributed solar generation, represents a cost shift between participating and non-participating ratepayers which in turn generates upward rate pressures.

Stowe especially appreciates the Department's emphasis on the role that the current net-metering program will have in the pursuit of Vermont's ambitious energy and carbon reduction goals outlined in the 2016 Comprehensive Energy Plan ("CEP"). More particularly, their comments point out how the compensation structure as currently designed will serve to disrupt the advancements that are sorely needed in the transportation and thermal sectors. The CEP identified that 67% of the State's greenhouse gas emissions are attributable to these two sectors while electricity only accounts for 10%. Despite the comparably small portion attributable to electricity and the fact that Stowe's resource mix is currently 77% carbon free, Stowe remains committed to further mitigating the climate impacts of the electricity it provides to its customers. The RES is integral in this effort and the Department indicated how it has already had the effect of increasing the renewability of the resources used to meet Vermont's electric load. So as the value of new solar DG has diminished while at the same time the carbon intensity of the electricity mix has decreased, Stowe believes the Department is justified in questioning whether the current compensation structure is properly priced and whether it has the effect of disincentivizing customer investment in thermal and transportation electrification measures which would help address the largest portions of Vermont's carbon footprint.

It is worth appreciating that net-metering not only raises rates thereby increasing the cost to operate these electrification measures, but also presents a question of environmental opportunity costs. Many participating net-metering customers are investing in these systems with the intention and with the understanding that they are achieving the most benefit they can as an individual to combat climate change. The public comments submitted in this proceeding during recent weeks regularly cited an urgency to address the climate crisis as either why they purchased a net-metering system or why the program should not be changed. But the CEP makes it clear that electricity is a comparatively small slice of Vermont's carbon emissions and the largest climate benefit can be achieved through transportation and thermal measures.

The Department's straw proposal for adjustments to the net-metering compensation structure is reasoned and supportable. As Stowe indicated in its November 1 comments, a considerable portion of the net-metering program's cost shift between participating and non-participating customers is a result of the compensation paid for excess generation during a given month. Many commenters also pointed out that the marginal system value of new distributed solar generation has decreased as the deployed capacity has increased. This change is primarily due to shifting system peaks and peak energy price periods that do not coincide with periods of high output from solar DG. The Department proposed adjusting the prescribed value for excess generation to effectively account for transmission, capacity, REC, and energy system benefits while also proposing to credit netted generation at the customer's retail rate. This structure would reduce the magnitude of the cost shift attributable to the net-metering program considerably while still continuing to provide an incentive for new net-metered solar development by reducing the electric bills of participating customers. The solar DG value estimates provided by the Department and the utilities in their November 1 filings indicate that this is an area of some level of disagreement and would reasonably call for discussion at a PUC workshop.

Stowe also wants to respond to the Department's allusion to removing the cap on the size of projects allowed to participate in the net-metering program. The Department's straw proposal would suggest that the statutory 500 kW cap on the size of a participating project be lifted to 5 MW. Their comments reasoned that the current cap would be unnecessary if the generation was valued using the forecasted system benefit of that energy because the project would no longer receive a rate of compensation that was outsized compared to the benefit it provides. Stowe questions whether this would be true in all cases. Currently, a utility must accept net-metered energy that comes from a permitted project within its territory. The utility also must retire the RECs transferred to them by the project owner. A 5 MW net-metered project located within would equal roughly 25% of Stowe's annual peak demand even when not accounting for existing solar resources in Stowe's service territory. Stowe is also currently long on Tier 2 RECs largely due to its 1 MW utility-owned solar project. The Department's comments indicate that the value of solar DG is likely to continue its decline, yet a 5 MW net-metered project in Stowe would lock in an entitlement at today's price to a resource that greatly exceeds the utility's needs.

Stowe would support a workshop process with interested stakeholders given the nature of the proposed changes to the net-metering program under consideration before the PUC. Stowe would request that these workshops be mostly focused on properly aligning the current solar net-metering pricing structure with the true value it provides to the system.

Please let me know if you have any questions or comments.

Matthew DS Rutherford
Manager of Regulatory Compliance
Town of Stowe Electric Department