December 6, 2019

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

RE: Case No. 19-0855-RULE; Proposed Revisions to Vermont Public Utility Commission Rule 5.100

Dear Ms. Whitney:

AIV appreciates the opportunity to provide further comments on the impact net metering is having on electric rates and related issues, as well as options for addressing the negative results for the affordability of electricity and the competitive pressures faced by Vermont employers, particularly manufacturers and other energy dependent businesses. Such businesses provide high-compensating, broad-based jobs and opportunities for Vermonters, and are a primary driver and supporter for other sectors of the economy.

A long standing concern for Vermont's manufacturers and other energy dependent businesses has been the high cost of electricity in the state, both in absolute terms and relative to other states in the country where competing businesses are located or where investment, production, and employment might be directed away from Vermont and into new or related facilities. Commercial and industrial rates have consistently run between 30% and 50% over the average across the other continental states with which Vermont competes, with many states having even more significant disparities. This competitive disadvantage is compounded by the fact that Vermont tends to rank at or near the top of other key costs of doing business as well, especially for manufacturing.

Although it might not be possible for Vermont to match the low electric rates found in other states, it is nevertheless critical to ensure that our rates are kept as low as possible and that state policies do not artificially increase them. This is a necessary part of an overall effort to address affordability and competitiveness across Vermont's economy.

In this context, the meaningful cost shift and resulting rate impact of the current net metering rules clearly identified in the November 1 filings of Vermont's utilities is a serious problem that needs to be addressed.

In defining and addressing this cost shift, AIV believes it is essentially the compensation for excess generation that exceeds what utilities would otherwise pay for more affordable alternative generation not subject to the cost adders and other constraints mandated under net metering. To eliminate this cost shift, compensation should approximate wholesale costs that utilities would otherwise pursue, but not system savings or other benefits that would otherwise benefit all ratepayers. Increasing compensation above an approximation of wholesale costs effectively negates the value of system savings and other benefits, and therefore constitutes a loss for ratepayers generally.

Core Recommendations

To summarize AIV's recommendations on key issues addressed in the November 1 filings:

- Net metering is clearly having a meaningful impact in increasing electric rates and shifting costs from program participants onto ratepayers generally.

- Net metering compensation should be changed so that compensation for excess generation is more closely aligned with general wholesale costs or potentially more affordable generation, as well as a reasonable value for RECs that go to the utilities. There should not be compensation in excess of wholesale costs based on avoided costs or other system savings or benefits -- such savings should benefit all ratepayers. In addition, the value of RECs should be determined in a way that avoids utilities effectively being forced to pay more for such RECs than they would be able to acquire them for elsewhere.

- With regard to restricting the amount of net metering allowed, AIV agrees that effectively and fairly eliminating cost shifts could be sufficient. However, we believe that this topic should remain open pending resolution of cost shift issues. We would also recommend consideration of any issues beyond cost shifts, such as might be related to overdevelopment of intermittent generation, that could be problematic in the future.

Addressing Concerns about Changing Net Metering Compensation

In making these recommendations, AIV would note that Vermont's electric portfolio is already significantly renewable, and that utilities have indicated that they do not require additional net metering generation to meet their renewable energy requirements and goals. Therefore, eliminating artificial incentives and subsidies for net metering will not negatively impact Vermont's climate and other environmental goals.

With regard to customers and developers with interests in net metering, allowing net metering customers to offset their own electric use and effectively sell excess generation at wholesale prices, as well as potentially avoiding new restrictions on net metering should cost shifts be eliminated, would appear to preserve both reasonable and fair opportunities for new net metering as well as reasonable and fair benefits and compensation.

With regard to employment and economic considerations, net metering development has grown significantly already. With fair and reasonable opportunities and value in new net metering noted above, there is reason for businesses engaged in related work to expect this sector to remain healthy. To artificially support net metering development through cost shifts that have a meaningful negative impact on electric rates, however, would only continue to negatively impact affordability and competitiveness for Vermont employers and their employees much more broadly, particularly for high-value sectors like manufacturing.

Conclusion

AIV recommends that additional stakeholder workshops and opportunities for comment be provided to address details in determining appropriate valuation of wholesale costs and RECs, as well as other topics outlined in the PUC's requests for comment.

Again, AIV appreciates the important issues being addressed in this proceeding and we look forward to working with the PUC and stakeholders moving forward.

Sincerely,

William Driscoll
Vice President