STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 19-0855-Rule

Proposed revisions to Vermont Public
Utility Commission Rule 5.100

VERMONT ELECTRIC COOPERATIVE'S INITIAL COMMENTS REGARDING NET-METERING COMPENSATION

This document has been filed via ePUC

Vermont Electric Cooperative (VEC) submits the following initial comments on the compensation to be set in the rule for net-metering projects. Most of these comments are in reaction to ideas brought forth at the September 16, 2021, workshop, and VEC expects to comment further in reply comments.

1. VEC supports renewable resources, and we believe they should be acquired consistent with least-cost planning principles.

VEC has embraced the importance of moving to a renewable power portfolio. Our company has committed to achieving a 100% renewable portfolio by 2030. Currently we exceed state goals for renewable resource acquisition. At the same time, VEC believes that we should acquire such resources in a manner consistent with least-cost planning. Including large projects in the net-metering program does not accomplish that goal – at least not at the compensation rates set to date. Indeed, it has been clear for a while that net-metering resources are the highest-cost renewable resources for Vermont customers. The total credit that these projects receive continues to be significantly higher than projects developed under the Standard Offer Program, as shown in the below table (note that all these prices include RECs):

Comparative Cost for a 500 kW Project Developed Under Net-Metering Vs. Other Programs*

	NM 2.1	NM 2.2	NM 2.3	NM 2.4	Standard Offer
Price/kWh	0.14831	0.13831	0.12831	0.11831	0.08513**
Annual Cost	$103,817	$96,817	$89,817	$82,817	$59,591
1st Year Subsidy	$44,226	$37,226	$30,226	$23,226	
25-year Subsidy***	$1,884,027	$1,719,135	$1,554,243	$1,389,352	

**Assumes 700,000 kWh annual production in the first year, with .5% annual degradation factor.*
***Average of the 2021 Standard Offer award group for solar.*
****Assumes that the blended rate will continue to increase one cent every two years; Standard Offer rates are fixed for 25 years.*

Likewise, VEC has been able to negotiate PPA prices for solar resources at or below the Standard Offer solar rate. Although VEC has not had the need to negotiate a PPA for several years because it is far exceeding its Tier 2 requirements, we believe that today we could negotiate lower PPA rates -- likely below 10 cents/kWh. Particularly for large net-metering projects (150 - 500 kW), it is irrational for ratepayers to pay more ***for a resource with the exact same carbon-reduction attributes as another solar resource that can be acquired at a lower cost.***

Where competition is introduced – for example through the bid process in the Standard Offer program or when utilities negotiate directly with competing solar projects -- lower prices are the result. As we have argued in the past, VEC believes that large, Category III projects should be removed from the net-metering program altogether.

Alternatively, if large projects continue to be included, VEC suggests that the state would be better served if compensation for such projects were set either through a competitive bidding process and programs such as VEC's Community Solar program (which is designed to remove the subsidy from non-net-metering customers). In place of competition, the PUC could set rates through a regulatory process similar to how utility rates are set, since solar providers in the net-metering program have a virtual monopoly with a guaranteed contract and rates.

Indeed, questions from the Commission at the workshop hinted at a problem with PUC-set compensation particularly for large net-metering projects: there is no understanding of the costs of those projects and therefore without any transparency the Commission cannot determine whether the level of compensation is sufficient to keep the net-metering program viable – or whether lower levels would accomplish the goal and save ratepayers money. It is not unreasonable for a company seeking a guaranteed rate that is paid by ratepayers over a fixed term to demonstrate the need for such a rate, just as utilities must do.

2. **The amount of renewable resources that utilities must acquire has been established in the Renewable Energy Standard, and this rule making should stay focused on compensation for net-metering.**

Many comments of presenters focused on their perceived need to increase the amount of renewable resources that Vermont utilities must acquire. However, that is not the topic of this proceeding. The legislature very specifically prescribed the amount of renewable resources in 30 V.S.A. 8005. VEC has incorporated the legislative targets into our power planning, again with the goal of meeting state goals in the most cost-effective way for our members.

This proceeding is about the compensation to be paid for net-metering resources. There has been no suggestion that net-metering prices are likely to be so low as to threaten our ability to meet state goals. On the contrary, VEC's data shows that we are greatly exceeding our Tier II goals and that net-metering is a contributor driver of that.

3. **Continued Subsidies for Large Net-Metering Projects Divert Resources from Other Strategic Initiatives.**

Vermont has established ambitious energy goals through the Comprehensive Energy Plan. In order to reach those goals, electric utilities and their ratepayers will likely need to make significant investments to allow for increased electric usage in the heating and transportation realms and to integrate more renewable power onto the grid. In addition, reaching state goals will require investment in battery storage, infrastructure upgrades, load management strategies, and fuel-switching projects. When utility customers are required to pay a subsidized rate for large net-metering projects, this subsidy creates an unnecessary cost pressure that could drain our members' financial resources from other investments and increase rates at a time when affordability of electricity is becoming ever more important. The upward rate pressure from paying more than we need to for renewable projects sends the wrong price signal to customers who are making cost comparisons about whether to transition from fossil fuels to cleaner electricity to heat their homes or run their cars.

4. **Large net-metering projects benefit very few Vermont electric customers and the Commission should consider program designs that encourage broader benefits.**

As described above, VEC believes projects above 150 kW should not be part of net-metering. However, if they do remain, VEC suggests that the Commission consider redesigning the program so that more Vermonters can benefit from such projects. VEC has six 500 kW projects on its system, with an average number of members per project of less than five. These are basically merchant generators (insulated from competition) that benefit few customers. The Commission may want to consider adopting a rate structure that allows more Vermonters to obtain the benefits of large net-metering projects, for example by encouraging developers to seek out more off-takers for their large systems -- which would open net-metering up to households that rent or lack sufficient roof configuration or land to host a net-metering project

– or limiting participation to institutions which embody shared public values such as schools, non-profits or public agencies.

Thank you for the opportunity to comment.

Dated this 15th day of October, 2021.

VERMONT ELECTRIC COOPERATIVE

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