

**STATE OF VERMONT
PUBLIC UTILITY COMMISSION**

Case No. 19-0855-RULE

Proposed revisions to Vermont Public Utility Commission Rule 5.100	
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**VERMONT DEPARTMENT OF PUBLIC SERVICE REPLY COMMENTS ON
REVISING RULE 5.100 TO ADDRESS COMPENSATION**

On September 16, 2021, the Vermont Public Utility Commission (“Commission” or “PUC”) held a workshop to discuss potential changes to Commission Rule 5.100, the Net-Metering Rule, regarding the compensation structure of the program. Comments regarding this topic were submitted by several stakeholders on October 15, 2021. The Vermont Department of Public Service (“Department”) submits the following reply comments in response to the initial round of comments regarding the net-metering compensation framework.

This proceeding is about examining revisions to a specific business model for developing new renewable generation in Vermont that is neither the only, nor least costly, pathway for meeting the State’s renewable energy needs. This proceeding is not a discussion about the amount of new renewable energy that should or should not be built in Vermont – that discussion appropriately belongs at the Legislature, which is where any changes to the Renewable Energy Standard (“RES”)¹ would be made.

The focus of this PUC proceeding should be on understanding the costs and benefits of Vermont’s current net-metering business model, and what changes

¹ 30 V.S.A. §§ 8004 and 8005.

should be made to better align that model with the needs of Vermonters, the greenhouse gas (“GHG”) reduction requirements of the Global Warming Solutions Act (“GWSA”), and State energy policy as articulated in 30 V.S.A. §§ 202a and 8001.

In its initial comments, Renewable Energy Vermont, Inc. (“REV”), the trade association for renewable developers, makes an unsubstantiated assertion regarding an alleged inconsistency of Vermont renewable energy policy with the Paris Accords:²

The GWSA adopts the Paris Agreement protocols (and the additional requirement for climate mitigation) that call for actual reductions in electric sector emissions, and VT has not taken any actions to address this requirement. Instead, the policymakers, regulators and utilities have embraced procurements of massive HQ carbon offsets and Class II REC’s from existing NE resources to mask the true fossil fuel content of the electric sector power supply. This practice does not result in any GHG reductions and violates the Paris Agreement and GWSA.³

In PUC proceedings, Parties have an obligation to promote genuine dialogue on the issues they raise, and to support their views with substantiated arguments. For instance, an assertion that Vermont is violating the Paris Accord and the GWSA should be backed up with specific citations to language in the Paris Accord and the GWSA. Such reference points are crucial for the kind of transparent and accountable discussion that is necessary for the PUC to determine whether there is

² See generally, Paris Agreement to the United Nations Framework Convention on Climate Change, Dec. 12, 2015, T.I.A.S. No. 16-1104, *available at* https://treaties.un.org/doc/Treaties/2016/02/20160215%2006-03%20PM/Ch_XXVII-7-d.pdf.

³ Comments of Renewable Energy Vermont, Case No. 19-0855-RULE, filed October 15, 2021. See also Comments of Aegis Renewables, Case No. 19-0855-RULE, filed October 15, 2021.

any merit to such assertions, and if so, to provide guidance for policymakers to ensure that Vermont law and regulation are modified to be consistent with the Paris Accord. To illustrate the point, it is a readily ascertainable fact that several other states have pledged to meet the Paris Accord⁴ by utilizing existing large-scale hydroelectric and nuclear resources to meet their climate commitments, among other measures.⁵ REV's unsubstantiated assertions as to the inconsistency of Vermont's renewable energy policy with the Paris Accord fail to identify the basis for these assertions, and thus transparency and accountability are defeated in the face of the countervailing fact that many fellow signatory states share Vermont's policy judgments about appropriate energy resources for meeting climate commitments.

⁴ See generally, [United States Climate Alliance adds 10 new members to coalition committed to upholding the Paris Accord | Governor Jay Inslee \(wa.gov\)](#).

⁵ See, e.g., Conn. Public Acts 2017, No. 17-3, AN ACT CONCERNING ZERO CARBON SOLICITATION AND PROCUREMENT, available at <https://www.cga.ct.gov/2017/ACT/pa/2017PA-00003-R00SB-01501SS1-PA.htm> (See also, CONNECTICUT DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION, *Integrated Resources Plan: Pathways to achieve a 100% zero carbon electric sector by 2040* (Oct. 2021), available at [2020-Connecticut-Integrated-Resources-Plan-10-7-2021.pdf](#) (providing further discussion of the role of nuclear energy in meeting Connecticut's decarbonization requirements and a discussion of hydroelectric imports)); See, AN ACT CREATING A NEXT-GENERATION ROADMAP FOR MASSACHUSETTS CLIMATE POLICY, Mass. Bill S.9, 192nd (2021), available at <https://malegislature.gov/Bills/192/S9> (See also, MASSACHUSETTS DEPARTMENT OF ENVIRONMENTAL PROTECTION, *310 CMR 7.75: Clean Energy Standard Frequently Asked Questions* (Jul. 2021), available at <https://www.mass.gov/doc/frequently-asked-questions-massdep-clean-energy-standard/download> (regarding MassDEP Clean Energy Standard for list of qualifying clean energy facilities)); See, *Washington Clean Energy Transformation Act* (2019), 19 RCW §§ 19.405.010-19.405.901, available at <https://app.leg.wa.gov/RCW/default.aspx?cite=19.405>.

Even if REV and its members were able to demonstrate conclusively that, pursuant to the Paris Accord, only renewable generation of a certain type or size, or built after a certain date, should be counted toward GHG reductions, this is still, at best, tangentially relevant to the discussion of net-metering compensation. This proceeding is focused on adopting an appropriately revised net-metering compensation structure – with net-metering being just one of several mechanisms to deploy distributed generation with equivalent GHG reduction values – that will be consistent with Vermonter’s needs, including progress toward achieving GWSA requirements, and the energy policy objectives of the State as articulated in 30 V.S.A. § 202a and the Comprehensive Energy Plan. This context is critical in understanding how the net-metering program is interwoven with other energy sector programs aimed at achieving the same broad set of policy goals.

The clearest pathways to GHG reductions in Vermont are through decreased energy usage across all sectors, and through the electrification of transportation and building sectors.⁶ Vermonter’s will increasingly see their electric bills as comprehensive energy bills, with increasing importance.

There is no dispute that new renewable resources are being built in Vermont at substantially lower cost than under the net-metering business model, with non-participating Vermonter’s picking up those additional net-metering costs. With 75%

⁶ See, e.g., ENERGY ACTION NETWORK, *Annual Progress Report for Vermont 2020/2021*, available at [EAN-APR2020-21_finalJune2.pdf](https://eanvt.org/EAN-APR2020-21_finalJune2.pdf) (eanvt.org).

of net-metered generation being exported directly to the grid, and not used onsite, the current net-metering model is more comparable to a merchant generation model than a true “net” metering model, where on-site generation truly offsets on-site demand. Mechanisms such as the RES, which mandates the procurement of new renewable supply from resources located in Vermont, foster a competitive environment by enabling procurements where developers are required to offer their lowest reasonable price to achieve commissioning. These competitive processes appropriately shift risk from Vermonters to the unregulated, for-profit companies and ensure that developers do not receive only upside benefit while offloading downside risk to captive ratepayers.

Further, under the current business model, net-metered customers do not pay their full share of the costs of the electric infrastructure serving them. Net-metered customers are reliant on the grid for the majority of hours per year, meaning that they require services such as transmission and distribution construction and maintenance, tree trimming, outage restoration, billing, etc. These fixed costs are collected through the electric bill through *both* the customer service charge and the variable energy charge. While newer net-metered customers pay the customer charge, they are not paying the fixed costs that are embedded in the variable energy charge. Other customers must make up this difference through increased upward pressure on rates.

As the number of net-metered customers increase, the remaining non-net

metering Vermonters bear more of the fixed costs of the system *and* must also pay higher overall costs for the variable component of the bill. At some point, there will be an insufficient number of customers paying these costs. This is analogous to the Standard Offer program exemption, where the Commission noted: “[i]f many utilities became exempt, the remaining utilities might need rate increases to cover the increased costs of the Standard-Offer program. Requiring all utilities to participate in the Standard-Offer program would spread the costs of the program out broadly and reduce the effect of the program on customer’s rates.”⁷ Just like the Standard Offer model, eventually the impacts to non-net-metered customers are so high that the program cannot continue. Shifting costs to non-net-metered customers cannot go on indefinitely; while businesses are designed to think about short-term profits, policymakers need to consider longer-term implications and make difficult decisions while accounting for the long-term interests of Vermonters.

In addition, electric rates are a non-voluntary, non-transparent, and regressive means of funding specific types of goals such as economic development for specific businesses. Overpaying for net-metering helps support jobs, but these are effectively compelled donations by Vermonters to for-profit companies, with

⁷ Vermont Public Utility Commission, *REPORT TO THE VERMONT LEGISLATURE: Exemptions from the Standard-Offer Program Pursuant to 30 V.S.A. 8005a(k)(2)(B)*, (Dec. 15, 2018), available at https://puc.vermont.gov/sites/psbnew/files/doc_library/Report%20on%20exemptions%20from%20the%20Standard-Offer%20Program.pdf.

other Vermonters who are able to participate in net-metering also getting some benefit. Further, electric bills are cost-based and not based on income, as is Vermont's progressive income tax policy. Consequently, providing economic development support for businesses through electric rates has a regressive impact on low-income customers. Finally, electric rates have multiple components, and costs increases in one area can be masked by cost decreases in other area; unlike the clarity provided by the line-item Energy Efficiency Charge, it is extremely difficult for Vermonters to know what they are paying for.

The Department reiterates that Vermont's net-metering business model is likely to be significantly and beneficially informed by the California ruling on its net-metering program and looks forward to a robust and transparent dialogue on the issues.

Dated at Montpelier, Vermont, this 29th day of October, 2021.

VERMONT DEPARTMENT OF PUBLIC SERVICE

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cc: ePUC Service List