



April 25, 2022

Ms. Holly R. Anderson, Clerk of the Commission
Vermont Public Utility Commission
112 State Street
Montpelier, VT 05602-2701

Re: Norwich Solar Comments on Case Number 22-0334-INV - Biennial Update of the Net-Metering Program.

Dear Ms. Anderson:

Introduction

Norwich Solar thanks the Vermont Public Utility Commission (“Commission”) for the opportunity to provide comments on Case Number 22-0334-INV, the 2022 biennial update of the net-metering program. In addition to supporting the comments submitted by Renewable Energy Vermont (“REV”), Norwich Solar offers the following comments for consideration by the Commission in its biennial review of net-metering:

- **Decreasing compensation and inflationary costs are making it harder for Vermonters to generate their own renewable power.** Vermont’s net-metering statute mandates the Commission to “adopt and implement [net-metering] rules...[that] ensures...all customers who want to participate in net metering have the opportunity to do so.”¹ Increasingly, net-metering systems and especially Category III systems are not economically viable to a growing number of ratepayers across various rate classes. Additionally, businesses and individuals cannot economically afford to keep their renewable energy credits (“RECs”) for sustainability claims.
- **Low and moderate-income Vermonters and associated non-profits should be actively encouraged and supported to participate in net-metering** and not passively “priced” out of participation (either through required lower discounts or an inability to finance their own system due to the lower compensation).
- With the solar sector facing significant economic threats, **all parties need to be as efficient as possible to keep Vermont’s renewable businesses viable and their employees employed.**

¹ 30 V.S.A. § 8010(c)(1)(E).

The net-metering program is a critical renewable energy policy for Vermont. **With minimal (to no) wind development in the State and the Standard Offer Program being at final capacity, net metering is essentially the only remaining renewable energy program in Vermont.** Contemplating further reductions in compensation at this time jeopardizes Vermont’s last program.

Democratic participation in energy generation through net-metering provides awareness and knowledge to more Vermonters as the transformation of other energy sectors (through adoption of heat pumps or electric vehicles) creates benefits for the electric sector and reduces our carbon emissions statewide.

Long Paybacks Discourage Participation

Reduced compensation is resulting in long payback periods which in turn is discouraging participation in net-metering. This conflicts with Vermont’s net-metering statute which requires the Commission to adopt and implement net-metering rules that “ensures...all customers who want to participate in net-metering have the opportunity to do so.”²

As clearly shown in Figure 1 - Category III Application Rate as Payback Increases below, from 2018 to year to date in 2022, applications for Category III systems have fallen to nearly zero (“0”). This dramatic decline is denying Vermont organizations and businesses the opportunity to participate in net-metering.

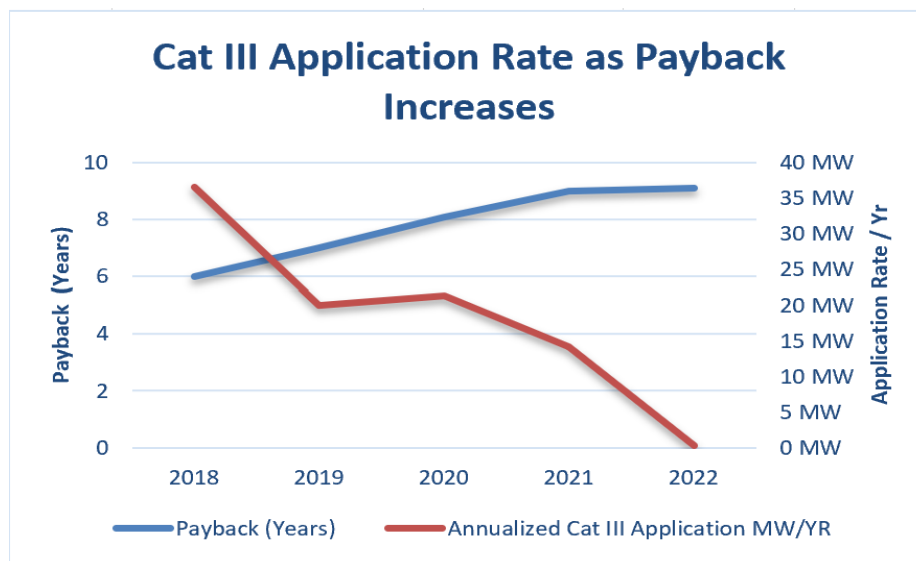


Figure 1- Category III Application Rate as Payback Increases

² 30 V.S.A. § 8010(c)(1)(E).



Low-and moderate-income (“LMI”) housing agencies, schools, non-profits, and municipalities all rely on Category III systems to accrue benefits that reduce their operating budgets while their operating revenues continue to struggle. Further cuts to net-metering only restrict the opportunities for these communities to utilize the Program.

While in some utility territories the proposed reduction of \$0.01/kWh in the REC adder will be offset by an increase in the statewide blended rate, in many utilities including the State’s second largest utility, the blended rate adjustment does not apply. This will result in a full cent reduction in the REC value, putting net-metering systems even further out of reach for Vermonters.

REC Pricing Unfair to Vermonters

The cost to retain RECs has become too prohibitive. Businesses cannot economically afford to differentiate themselves by saying they are “renewable powered.” This disadvantages Vermont’s business sector’s environmental commitment at a time when consumers are demanding environmental conscientiousness.

A business keeping the RECs with a Category III system would need to accept a payback of over 15 years under the Public Service Department’s proposed compensation model (blended rate of \$0.1714/kWh and base (0.01) REC adjuster). If the business retires the RECs to the utilities thereby giving away the renewable claims, the payback would be 10 years. Few businesses can accept even the 10 year payback threshold let alone 15 years to be able to make sustainability claims. **Vermont’s REC pricing mechanism is hurting Vermont’s business to compete.**

Norwich Solar recommends changes be adopted that viably allow Vermonters to directly retire their RECs without penalizing a utility’s ability to meet its Tier II requirements.

Vermont’s net-metering statute gives the Commission the authority to reduce the value of the credit provided for customers who elect to retain the RECs by an “appropriate” amount.³ The cost to retain RECs has become inappropriate.

Systems are Becoming Unfinanceable for Most Vermonters

Overlooked in the reductions in compensation is the simple ability for average ratepayers or businesses to finance a solar system. The reality is most Vermonters and Vermont businesses must borrow money to finance a solar system.

The standard requirement from lenders is for borrowers to demonstrate ability to maintain a debt service coverage ratio (DSCR) of 1.2. As net-metering compensation and tax credits decline over the upcoming biennium (ignoring critical variables of interest rate hikes and inflation

³ 30 V.S.A § 8010(c)(1)(H)(i).



concerns that are headed up), the DSCR requirements will require borrowers to put in an additional \$200,000 in equity for a typical Category III system to maintain the required DSCR. Inflation and interest hikes will only exacerbate the situation. This additional requirement will make the majority of the system be paid with equity to meet the DSCR, prohibiting most Vermont entities from being able to participate.

This is a real concern. Norwich has long relied on individual socially conscious system owners to help small businesses, housing agencies, and nonprofits benefit from net-metering. Lower compensation and impacts to the DSCR will decrease the number of individuals able to support underrepresented communities.

Norwich recommends a more comprehensive compensation model be adopted to accurately account for the benefits the policy generates, thereby reflecting the impacts of NM changes on Vermonters and employees of Vermont’s renewable sector.

The historical decline of solar costs is not sustainable in this next biennium. In fact, inflation, interest rates, tariffs, and labor costs will not only affect solar, but other renewable options like offshore wind and the economy at large. The recommendation from the Public Service Department of dropping the REC an additional \$0.01/kWh needs further and specific justification and should also explicitly account for benefits generated from the policy.

Norwich recommends changes to the REC adjustor over the biennium that maintain the current payback period for Category I systems and to paybacks equivalent to NM2.3 (9 years) for Category III systems. As the ITC continues to drop, the REC adjustor will need to increase.

Low and Moderate-Income Participation

Reductions in net-metering rates without any direct intervention to support LMI participation only makes participation less feasible. The small pool of socially conscious owners who are able to support the LMI and non-profit community will only be reduced.

Vermont’s housing, weatherization, energy efficiency, and transportation sectors all have some form of LMI enhancements to encourage participation and equitable distribution of benefits. Additional adders like the “site” or “REC” adjusters could encourage and enable participation as other neighboring states like Massachusetts have done. Act 99 requires the Commission to “examine and evaluate best practices for net metering identified from other states.”⁴

Norwich recommends that the Commission open an investigation to determine what current benefits are being provided to the LMI community and what modifications must be made to ensure equitable distribution of benefits.

⁴ Act 99. An act relating to self-generation and net metering.



Efficiency of Program

As compensation continues to decline and payback periods extended, all costs need to be minimized to keep activity in Category I, II, and III feasible and to ensure all Vermont ratepayers are receiving benefits. Soft costs, fees, and risk costs to develop projects can play a disproportionate role in extending payback periods as annual compensation declines. Since 2018, Norwich has seen a 30 percent increase in development costs for projects while compensation has declined.

While supply chain issues have caused delays in project construction, as two ITC reductions are scheduled over the biennium, timeliness in moving applications through the permitting process will become more imperative.

Norwich recommends that the Commission open a collaborative investigation into ways to reduce soft costs, risk costs, and scheduling with a goal of maximizing efficiency and benefits to all parties. Pursuant to Act 99, the Commission is required to establish net-metering standards and procedures that “seek to simplify the application and review process as appropriate.”⁵

Conclusion

Norwich appreciates the opportunity to comment and make recommendations on potential changes to the net-metering program. As a Vermont-based company, we care deeply about all Vermont ratepayers and see net-metering and the push towards reducing carbon emissions imperative to Vermont’s future. The 2020 Synapse “Solar Savings in New England” (December 2020) report highlighted the opportunity for greenhouse gas reductions through more solar. Utilizing AVERT (Avoided geneRation and Emissions Tool (AVERT) from the U.S. EPA), in 2019, 94 percent of the generation avoided (by new solar) came from natural gas-fired power plants, while an additional 6 percent came from power plants fueled by oil, coal, or other resources. With net metering the only remaining program in Vermont for growing new solar, we believe Vermont should be encouraging more participation.

In summary, Norwich Solar recommends that:

- **changes be adopted that viably allow Vermonters to directly retire their RECs without penalizing a utility’s ability to meet its Tier II requirements.**
- **a more comprehensive compensation model be adopted to accurately account for the benefits the policy generates, thereby reflecting the impacts of net-metering changes on Vermonters and employees of Vermont’s renewable sector.**

⁵ Act 99. An act relating to self-generation and net metering.



- **changes to the REC adjustor over the biennium that maintain the current payback period for Category I systems and to paybacks equivalent to NM2.3 (9 years) for Category III systems.**
- **the Commission open an investigation to determine what current benefits are being provided to the LMI community and what modifications must be made to ensure equitable distribution of benefits.**
- **the Commission open a collaborative investigation into ways to reduce soft costs, risk costs, and scheduling with a goal of maximizing efficiency and benefits to all parties.**

Norwich Solar appreciates the opportunity to comment in this proceeding. We thank you for considering our input.