



BURLINGTON
ELECTRIC
DEPARTMENT



May 24, 2019

Judith Whitney, Clerk
Vermont Public Utility Commission
112 State Street, Montpelier, VT

Re: Case No. 18-3810-INV - Investigation into Renewable Energy Standard Rulemaking

Dear Ms. Whitney:

In an Order dated May 2, 2019, the Public Utility Commission (Commission) established a deadline of May 24, 2019 for filing comments on its draft Rule 4.400. Vermont Public Power Supply Authority (VPPSA) and Burlington Electric Department (BED) submit the following comments related to the Draft Rule implementing Vermont's Renewable Energy Standard (RES). We are offering comments at a general level at this point in the process but hope there will be time for actual redline comments of the proposed Rule further in the process. There are some more minor textual changes and clarifications we would offer at that time.

Section 4.401 Purpose and Background

A reference in the Rule for potential modification of the Tier 2 requirement for utilities that demonstrate 100% renewability pursuant to 30 V.S.A. § 8005 (b) would be desirable for completeness.

Section 4.403 Definitions

BED and VPPSA suggest adding the following clarifying language to the definition of Energy Transformation Project to distinguish *projects* from *measures*: "Projects can consist of a set of prescriptive measures or one or multiple custom measures installed or completed at a single facility or site." This additional language would clarify that projects could be either *custom* or *prescriptive* and are generally comprised of multiple measures.

BED and VPPSA recognize that the definition of Energy Transformation Project in the Commission's draft Rule is taken from statute but believe it would be helpful for the Commission to elaborate on how the statutory definition will be interpreted. BED and VPPSA believe this clarification is important because it affects the potential screening of Energy Transformation Projects. Under BED and VPPSA's interpretation, a distribution utility could implement an electric vehicle (EV) **project** as part of its Tier III offerings. Overall, that **project** would, under 30 V.S.A. §

8005(a)(3)(C)(iv), need to cost the utility less than the alternative compliance (ACP) rate. However, the utility could elect to provide incentives to individual customers (e.g. low-income customers) that exceed the ACP provided that the cost of the overall EV project cost the utility less than the ACP.

BED and VPPSA further suggest that Energy Transformation Program be defined as “all Energy Transformation Projects administered by a distribution utility.” These proposed modifications would clarify the relationship between measures, projects, and programs.

The proposed definition of renewable energy credit in Rule 4.400 mirrors the statutory definition of “Tradeable renewable energy credits” under 30 V.S.A. § 8002 (26) (but with the word “tradeable” removed). VPPSA and BED believe that removing the word “tradeable” from the renewable energy credit (REC) definition in Rule 4.400 could lead to confusion and suggest that, if the statutory definition is going to be used in the Rule, the entire language be included for consistency. Since there is not a definition of the term “tradeable” in statute, the Commission could consider providing a definition of that term.

Section 4.404 System for Tracking Compliance with Tiers I and II

In general, if it is possible to qualify a resource for Tier I and/or Tier II, the RECs should be qualified through the Commission process, and noted as compliant with the appropriate Tier in the NEPOOL-GIS. With regard to HQ attributes beyond those related to the 2012 HQ contract, these could also be qualified through a Commission process. The treatment accorded to the HQ and NYPA import contracts (that existed prior to the passage of the RES) should not necessarily be the process for determining if HQ attributes beyond those associated with the existing energy contracts comply with Tier I of the Vermont RES.

Section 4.405 Banking of RECs

While this section specifically addresses the treatment of banked RECs, BED and VPPSA suggest several additions that would clarify REC reporting more generally. Subsection (c) should perhaps list “retail sales” as a required component of the annual report (to determine the utility’s obligation). In this same section, wherever the number of RECs being drawn from or added to the bank is being requested, the vintage of those RECs should also be requested. Lastly, the requested information does not include reporting of RECs and attributes created in the current period. These items could be subsumed under (4) but for clarity it might be easier to make them explicit. Adding, “against its load obligation in the current year” at the end of 4.405 (b) might be useful for clarity in the context of banked RECs.

Section 4.406 Qualification

Because the terms “generator” and “facility” are not defined in the draft rule, these could be confusing absent some clarity. For example, who is a “generator” and can entities other than “generators” qualify resources? In 4.406 (1)(B)(ii) it might be useful to specify, “subtransmission or distribution system of a retail electricity provider in Vermont” to avoid the need to reference

statute. It is unclear what kind of resources 4.406(c) is addressing since (b)(1) seems to provide the qualification process for Tier I and Tier II. Lastly, is subsection (d) intended to be limited to the aggregation of net metering facilities?

Section 4.410 Cost-Effectiveness Screening of Energy Transformation Projects

BED and VPPSA look forward to working with the Department of Public Service and other stakeholders in the coming months to reach a definition of administrative costs to be included in project screening. To date, VPPSA and BED have included estimated administrative costs for the purposes of Tier III screening, and we agree that having a level of consistency across utilities around what is included in administrative costs will be helpful. BED and VPPSA likewise plan to engage with other stakeholders around the evaluation of projects that do not increase electric consumption.

Section 4.412 Evaluation, Measurement, and Verification of Energy Transformation Projects

Under the Commission's draft Rule 4.400, the Department would provide its recommendation regarding each retail electricity provider's Tier III savings claim for the previous year, after which there would be a 15-day comment period on the Department's recommendation. BED and VPPSA request that Rule 4.400 maintain the process currently employed under the Final Order in Docket 8550 Section VII (9)(g), which calls on the Commission to make a determination regarding the verified savings result for the preceding year for each utility after comments are received on the Department's recommendation.

If a portion of a utility's savings claim is ultimately disallowed by the Commission, that utility may need to secure additional Tier II RECs or risk being exposed to the Alternative Compliance Payment (ACP). Due to the REC markets for a given vintage closing on June 15 of the year following, utilities without banked Tier II RECs, who were notified of a disallowance after early June would probably not be able to take market action to avoid the ACP penalty.

A distribution utility's Tier III savings claim will be a component of its annual compliance filing due in August and having that claim verified *prior to* compiling the August 31st filing will ensure a more accurate filing. Proposed rule 4.412 (7), which would require utilities to petition the Commission for a ruling, seems unnecessarily cumbersome.

Section 4.416, Specific Types of Energy Transformation Projects

The Commission requested that stakeholders comment on the average cost to generate one MWh of energy savings with low-income weatherization. VPPSA and BED appreciate the Commission's interest in low-income weatherization. Our comments apply to providing low-income weatherization services provided through the state's Weatherization Assistance Programs (WAPs), as we are not aware of other providers that specifically deliver low-income weatherization. BED

and VPPSA have evaluated the cost to provide additional weatherization services through the WAPs and estimate the cost to be approximately \$185/MWh. This is based on an estimated project cost of \$8000 and an average savings of 43 MWh equivalent per unit weatherized. Because WAPs cover 100% of the project cost for low-income participants and there is no customer contribution, this is an expensive service to deliver on a per unit basis.

Our analysis has assumed that, in order to comply with Section 8005(a)(3)(E)(ii), a distribution utility would need to cover 100% of the project cost or secure additional funding to cover that cost (e.g. grants) in order to claim 100% of the savings generated. If instead a distribution utility were allowed to pay a set \$/MWh to a low-income WAP for savings, incremental energy savings attributable to the Tier III program would be generated, but these additional savings would not be commensurate with the savings claimed by the distribution utility.

BED and VPPSA would note that coupling weatherization with efficient electrification could improve the cost-effectiveness of these projects from the Tier III perspective. Further analysis would need to be done to determine viability of this approach.

Thank you for your consideration of these comments. Please contact me (mbailey@vppsa.com or 802-882-8509) with any questions you may have.

Sincerely,

A handwritten signature in cursive script that reads "Melissa Bailey".

Melissa Bailey
Legislative and Regulatory Affairs Representative
Vermont Public Power Supply Authority