



Vermont Electric Cooperative, Inc.

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Judith Whitney, Acting Clerk
Vermont Public Service Board
112 State Street
Montpelier, VT 05620-2701

Re: Act 99 Net Metering Workshop
Comments of Vermont Electric Cooperative, Inc.
On Draft Rule Proposed by Department of Public Service

Dear Ms. Whitney:

Please accept this letter as the comments of Vermont Electric Cooperative, Inc. (VEC) addressing the draft Rule 5.100 which was submitted by the Department of Public Service as part of its comments on January 13, 2016. While VEC believes that the Department's proposed rule makes an effort to more closely align desired outcomes from net metering with the incentives provided, VEC has similar concerns about both the Public Service Board and the Department's proposals: (1) the rate structures will likely NOT result in utilities receiving the RECs from net metered projects, contrary to the intent of Act 56; (2) the rates are substantially higher than alternatives available in the market, thus continuing the cost shift from non-net metering customers to net metering customers; and (3) the proposed rates are not based on an evidentiary record.

1. The Rule Will Not Result In The Transfer Of RECs To The Utility. 30 VSA §8010 directs the Board to develop net metering rules that accomplish the following: "If the customer retains the [environmental] attributes, reduces the value of the credit provided under this section for electricity generated by the customer's net metering system by an appropriate amount."

The Board's draft rule and the Department's proposal both set a net metering rate that does not include the RECs, and then offer an additional incentive to customers and developers who elect to transfer the RECs. The net metering program is a renewable energy program as defined in the statute, and, as such, the base rate should include RECs. Customers who elect to retain the RECs should receive a reduced rate as directed by the statute, not an incentivized

renewable energy rate. Transfer of the RECs to the utility is the only way for the Board to guarantee that the RECs will be retired and the only way to count projects developed under the net metering program towards the State's renewable energy goals set by Act 56.

Under the Department's proposal, Vermont ratepayers will pay premium rates -- between 15.2¢ and 18.4¢ (levelized) -- for what the Attorney General and the Department have called "null electricity." According to the Vermont Attorney General and the Department's jointly issued *Guidelines for Third-Party Solar Projects*, "Null electricity is not renewable and is simply unspecified and undifferentiated power for the electric grid." Requiring utilities to pay premium rates for net metering without getting a premium product (the REC) has been poor public policy since the inception of the net metering program. After the passage of Act 56, it now runs counter to state renewable energy goals.

Whatever base rate the Board sets for net metering, there should be a significant reduction if the solar installer or customer elects to retain the RECs, since that output is significantly less valuable. The 3¢ differential proposed by the Board and the Department will likely not result in the utility receiving the RECs, since a solar developer can sell them for 5-6¢ on the market, as confirmed in the comments submitted on January 13, 2016 by SunCommon and AllEarth Renewables. VEC recommends that the Board use the Alternative Compliance Payment (ACP) value from Act 56 for the reduction in the net metering base rate if the customer or developer elects to retain the RECs. Alternatively, the Board could adopt a 6¢ reduction, which tracks the market value of RECs.

2. The Proposed Rates Exceed Those Of Alternative Renewable Resources. VEC believes that rates to be paid under the Department's proposal are simply too high when compared to other truly renewable options that are available on the market.

VEC has had many discussions with solar developers while working to identify projects for Tier 2 of Act 56. For projects as small as 600 kW, VEC has seen power purchase agreement levelized prices in the 13¢ range – including the RECs. The Department's proposal to pay 15.2¢ levelized for a 500 kW project plus 3¢ for the RECs is out-of-step with current market realities.

3. The Rule Is Not Based On Evidence. VEC has argued consistently that this process has departed from long-standing ratemaking principles because there has been no evidence taken that the rates proposed either by the Board or by the Department are reasonable or necessary

to meet the goals of the state as expressed in Act 44 and Act 56. The Department has proposed that the Board review the net metering rates on a periodic basis to assess the pace of deployment, yet there is no indication of what this review might look like. Since the Board did not engage in an evidence-based inquiry at the outset, it is not clear how it would decide whether the rates are appropriate during a future review.

VEC again suggests that, before adopting final rates to be paid for net metering generation, the Board conduct an evidentiary proceeding where it can test the level of rates that are necessary to achieve statewide goals -- including the goals expressed in Act 56.

For a net metering program to be sustainable over the long term, the Board must set rates based on evidence that do not result in utility customers over-paying for the value they receive, and the Board must include significant disincentives to customers to keep the RECs.

Thank you for your consideration.

Very truly yours,



Victoria J. Brown
General Counsel

cc: Parties (via email)