

CONFIDENTIAL
LEGISLATIVE BILL REVIEW FORM: 2014

Bill Number: H. 702 Name of Bill: An Act Relating to Self Generation and Net Metering

Agency/ Dept: Public Service Author of Bill Review: Darren Springer

Date of Bill Review: 1/31/2014 Status of Bill: (check one):

Upon Introduction As passed by 1st body As passed by both bodies

Recommended Position:

Support Oppose Remain Neutral Support with modifications identified in #8 below

Analysis of Bill

1. Summary of bill and issue it addresses. *Describe what the bill is intended to accomplish and why.*

The bill addresses the need to increase the participation caps in the net metering program, and makes some changes to the program to improve it and to address concerns raised by some utilities.

The bill is based on a proposal by the Department to the House Natural Resources and Energy Committee. It would increase the cap on net metering systems from 4% of a utility's peak demand to 15%. It lowers the payment to net metering systems over 15 kW from 20 cents to 19 cents per kWh. It further reduces costs by using the blended average rate, instead of the high block rate, for purposes of net metering payments. The bill increases the 10 day streamlined registration process for systems from 10 kW up to a new limit of 15kW. It implements the Standard Offer AC inverter rating definition of capacity for net metering, to allow systems to be sized for optimal production. The bill includes authority for a 5 megawatt pilot solar project for an electric cooperative, and allows that any utility that reaches 90 percent renewable (as evidenced by retirement of renewable energy credits) and 10% net metering (as defined by peak demand) may opt out of the statutory program and pursue a different net metering program. The bill also provides that utilities that hit the 15% cap may, without PSB approval, continue to accept solar net metering systems of 15 kW or less. The bill would provide an option for customers to retain renewable energy credits generated by net metering systems, or to provide the credits to the utility provided the utility retire the credits.

The aforementioned changes are all in operation for the period through the end of 2016. Starting in 2017, the net metering statute would largely sunset to make way for a new PSB designed program to be implemented. The process would begin with the Department issuing a report on net metering to the PSB in October 2014. The PSB would then hold stakeholder workshops to design a new program based on a set of statutory parameters (including that the program shall meet statutory energy and greenhouse gas goals, be consistent with the Comprehensive Energy Plan, address and minimize cross-subsidy and impact on rates, and allow for flexibility for individual utilities to design different rates or programs). The PSB would issue a draft rule for review by the legislature by January 1, 2016. If no legislative changes are made, the PSB rule would be adopted to take effect January 1, 2017.

2. Is there a need for this bill? *Please explain why or why not.*

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There is a need to update the net metering program, and this bill accomplishes that in a way that the Department believes is fair and consistent with state energy goals and policies.

3. What are likely to be the fiscal and programmatic implications of this bill for this Department?

The Department would be required to do studies on net metering at regular 3 year intervals under the bill, and would also be required to host a data set on our website tracking net metering capacity by utility. The Department would also be engaged in the PSB stakeholder process. None of these tasks are anticipated to require more personnel, and can be accomplished within the Department's existing budget and programmatic structure.

4. What might be the fiscal and programmatic implications of this bill for other departments in state government, and what is likely to be their perspective on it?

Our understanding of the forthcoming fiscal note on the bill is that passing H. 702 would decrease state gross receipts taxes by roughly \$232,000 annually, but increase state tax receipts from the solar generation tax by roughly \$322,000 annually, making the bill a net positive in terms of state revenue generated.

If pace of net metering significantly increased because of this bill, it could require more staff time and resources from Tax Department (which assess solar installations above 10 kW), and agencies which participate in net metering dockets. In addition it requires some work by PSB to design a new net metering rule.

5. What might be the fiscal and programmatic implications of this bill for others, and what is likely to be their perspective on it? (for example, public, municipalities, organizations, business, regulated entities, etc):

Solar installers, particular those focused on residential, farm, and small business installations, would likely see more business due to the expanded program. Larger projects would see less revenue due to the reduction from 20 cents to 19 cents. While most utilities support the bill (see below), AIV expressed concerns in committee about cross-subsidies (an issue which is addressed in PSB process in the bill).

6. Other Stakeholders:

6.1 Who else is likely to support the proposal and why?

Green Mountain Power, Burlington Electric, Vermont Electric Cooperative, Washington Electric Cooperative, Renewable Energy Vermont, VNRC, VBSR, and VPIRG all support the bill, and worked extensively with the Department to ensure it addressed all their concerns and included their ideas. In addition several town energy committees and schools testified to the House Committee in support of the bill.

6.2 Who else is likely to oppose the proposal and why?

AIV opposes because of concerns the program could impact rates or produce cross-subsidies between customers.

7. Rationale for recommendation: *Justify recommendation stated above.*

The Department has worked intensively to find the best path forward on net metering. We believe that the Department's proposal addresses the need for developers to have certainty over the next three years to take advantage of expiring federal tax credits, while we also provide a forum for a long-term redesign of the program via the Public Service Board to address concerns utilities have raised about revenue and equity. If H. 702 is signed into law Vermont would enhance its position as a leader nationally on solar, and also ensure a sustainable program for all stakeholders for future years.

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8. **Specific modifications that would be needed to recommend support of this bill:** *Not meant to rewrite bill, but rather, an opportunity to identify simple modifications that would change recommended position.*
N/A, see #7.

Secretary/Commissioner has reviewed this document:



Date:

2/8/14