

From: Copans, Jon [Jon.Copans@vermont.gov]
Sent: Friday, March 18, 2016 5:52 PM
To: Springer, Darren
Subject: Fwd: Commentary: Renewable Energy- Pricing it Right
Attachments: ATT00001.htm; Commentary. Renewable Energy- Pricing it Right 3-18.docx; ATT00002.htm

FYI

Sent from my iPhone

Begin forwarded message:

From: "Cohen, Andrea" <acohen@vermontelectric.coop>
Date: March 18, 2016 at 4:21:25 PM EDT
To: Undisclosed recipients;;
Subject: Commentary: Renewable Energy- Pricing it Right

Good afternoon. We wanted to share with you the attached commentary "Renewable Energy- Pricing It Right " written by Christine Hallquist, CEO, Vermont Electric Cooperative. Please be in touch if you have any questions.
Thank you.

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Renewable Energy- Pricing It Right

Christine Hallquist, CEO, Vermont Electric Cooperative

March 18, 2016

Vermont Electric Cooperative (VEC) is a not-for-profit, member owned cooperative. Starting in the 1930s, cooperatives brought electricity to areas that were not profitable to serve, and today they provide electricity to 75% of the U.S. land mass. As the second largest electric utility in Vermont and the largest locally-owned electric utility, VEC strives to provide safe, reliable electric service in the most cost-effective way. Surveys routinely show that VEC members want more renewable energy and they want to keep rates as low as possible. These goals are not mutually exclusive, and as the state sets the new rates for net metering it is essential that both these goals are kept in mind.

We know that state, utility, and personal budgets are tight. We should not pay more than we need to for infrastructure, including renewable energy through the net metering program. Every extra dollar spent on net metering is a dollar not spent on other electric infrastructure, service, or safety. VEC estimates that at current net metering levels, we will pay \$1.6 million more annually for net-metered renewable energy than the value that energy provides to the Cooperative. To balance the needs of all our members, those that net meter and those that do not, we should pay only as much as we need to for net-metered renewable energy.

The Public Service Board is working on new net metering rules right now, and we urge them, along with lawmakers and the Administration, to put us on a path to a sustainable program. Policy makers should incorporate these core principles in the future net metering program:

Everyone who uses the grid should pay for the grid.

The net metering system to date has not included a “grid service” fee and needs to. People who net meter are not “off the grid” but in fact use the grid 24 hours a day both to send and receive energy. Maintaining the grid for all co-op members requires significant cost and all users should contribute their fair share.

Pricing for net metering needs to reflect market realities.

The prices, once set by the State, are non-negotiable and non-responsive to competitive market conditions. We can buy electricity on the open market for under \$.04/kWh, and we pay \$.11/kWh for standard offer renewable energy, but we are currently required to pay \$.19/kWh or \$.20/kWh for net metered energy that may not even include the Renewable Energy Certificates (RECs).

The current system is not in line with the market realities of the value of renewable energy or how much it costs to develop. We should not be forced to overpay for net metered renewable energy.

One size does not fit all.

Rural utilities provide great service and innovation, but the economics for delivering basic services are different than in larger or more densely populated areas. The cost of maintaining the electrical system in a rural utility is by definition more expensive, and those costs are shared amongst fewer people. Rural systems also have less expensive open land that may attract more large-scale renewable energy projects (net metered and other), especially if the required rates are above what is justified by the market. Future policy must accommodate these differences so that we do not drive projects to locations further from the load and where any subsidies in the form of artificially high rates are supported by a smaller population.

VEC was hopeful that we would no longer need to have a cap on the amount of net metered energy in our territory, but unless the policy considerations outlined above are adhered to, we will need a cap and will need to potentially reduce the maximum net metered project size, in order to minimize financial exposure to our members. Current policy has led to more than half of our net metering capacity being taken up by developer-driven, large-scale projects rather than household rooftop net metering. We do not believe that was the intent of the program.

With a thoughtful and sustainable approach that considers all interests; net metering can be a successful part of the State's overall renewable energy strategy. In Vermont, we need to work together to create the renewable electric grid of the future, which will require innovation, investment and a tough look at the real-world challenges that stand in the way of reducing carbon-based power sources.

