

August 15, 2022

June E. Tierney, Commissioner
Department of Public Service
112 State Street
Montpelier, VT 05620-2601

Re: Renewable Policy and Program Comments

Dear Commissioner Tierney,

The undersigned utilities, most of which will also be submitting individual comments on the Department of Public Service's (Department) request for information (RFI), also jointly file the following comments with an emphasis on common areas of interest and concern in the process outlined by the Department.

Timeframe Consideration

The undersigned utilities support a process that allows for stakeholder engagement and a thorough analysis of the various policy considerations driving the Renewable Energy Standard (RES), and the other programs the Department is seeking to examine. We note that the RES has only been in effect for five years, and there remains areas more pressing to address in order to meet the goal of reducing Vermont's greenhouse gas emissions. Further, changes to a policy recently put in place requires careful consideration to allow utilities to align contracts and purchase decisions that extend multiple years.

While a thorough review which potentially utilizes the 18-month timeframe should be considered for the full suite of renewable energy policies, group net-metering merits a more expeditious review and potential changes given the significant upward cost pressure that policy is putting on utility rates in a number of utility service areas (addressed in greater detail below). Given the passage of the Inflation Reduction Act and other still-to-be-deployed dollars, Vermonters may be best served by strong focus on standing up programs and infrastructure supported by these funding sources; any RES changes should also take these into account and facilitate long-term planning across utilities.

Policy Considerations for the Review

Electricity emissions are low, and thermal/transportation should be the major focus of state policy

Thermal and transportation sector emissions are by far our most significant sources of greenhouse gas emissions in Vermont. The undersigned note upfront that based on the 2022 projections from the latest Agency of Natural Resources Greenhouse Gas Emissions Inventory and Forecast, the electric sector is projected to contribute only approximately 1% of Vermont's greenhouse gas emissions, while the transportation sector and residential/commercial/industrial thermal fuel sectors combined are projected to



emit approximately 73% of Vermont's emissions.¹ The electric sector was the source of approximately 10.4% of Vermont's emissions in 2015 when Vermont passed the RES, and since that time electric utilities have met the challenge of significantly decarbonizing the electricity supplied to Vermont customers.² This shows the success of a policy like RES, but also the goals of the utilities to achieve beyond what is currently contemplated by the statutory framework of RES. We can, and will, continue to build and purchase renewable resources to further reduce emissions.

Affordability is critical from a climate and equity perspective

Strategic electrification is critical to decarbonization of the thermal and transportation sectors, and by design Vermont has demonstrated its commitment in a wide array of policies and funding mechanisms such as Tier 3 of the RES, state incentive funding, and electric panel upgrades (among others). However, additional cost burden on electric customers through policy change initiatives would send a counterproductive and adverse price signal regarding strategic electrification, reducing the cost savings that currently exist for certain measures and harming climate policy. Further, if policies and programs continue to require complex administrative coordination to successfully implement, those cost burdens will inevitably result in upward rate pressure. As the Energy Action Network 2021 Annual Progress Report notes, electric customers are already burdened with a far higher tax and fee rate as a percentage of unit cost than fossil fuels such as oil or propane.³ It is imperative the Department proceed with appropriate concern for avoiding additional cost burden to electric customers to preserve the economics of strategic electrification.

Furthermore, the undersigned are concerned about any new policies creating additional cost burden for low-income electric customers. In an inflationary economic environment driving up costs and creating volatility in fuel prices and energy markets, the coming years present a particularly challenging time to add more rate pressure for electric utility customers. In this review, the Department should prioritize preventing renewable energy policy changes from creating additional cost burden for low-income Vermonters. We urge the Department to focus on defining appropriate cost-benefit analysis for any proposed changes, including their impact on rates, and their cost-benefit from a greenhouse gas emissions standpoint particularly given Vermont's already high level of renewable energy, which will continue to rise through the existing RES and utility goals of staying at or getting to 100% renewable.

Considerations Regarding RES and Policy Structure

Some advocates for changes to the RES have made negative assertions regarding the use of RECs for compliance with state policy. We note that every state in New England utilizes RECs for compliance with state renewable energy or portfolio standards. RECs create a market for renewable energy resources, and Vermont utilities' ability to sell and buy RECs has provided cost benefits for Vermont electric customers, while ensuring that Vermont has addressed prior double-counting concerns under the expired SPEED program. RECs are an appropriate means of demonstrating compliance with state policy with a cost benefit for electric customers.

It is important to note that Vermont's RES is working as intended, and Vermont's electric sector emissions have fallen significantly. The Department credited the RES with a reduction of over 620,000

¹ https://dec.vermont.gov/sites/dec/files/aqc/climate-change/documents/_Vermont_Greenhouse_Gas_Emissions_Inventory_Update_1990-2017_Final.pdf (page 38)

² https://dec.vermont.gov/sites/dec/files/aqc/climate-change/documents/_Vermont_Greenhouse_Gas_Emissions_Inventory_Update_1990-2017_Final.pdf (page 36)

³ https://www.eanvt.org/wp-content/uploads/2021/06/EAN-APR2020-21_finalJune2.pdf (p. 32)



tons of CO₂ in 2020 alone. The combination of additional renewable electricity from the RES with some nuclear has Vermont's emissions rate at 23.8 pounds of CO₂ per megawatt hour, compared to the New England average of 633 pounds per megawatt hour.⁴

There appears to be particular focus from some advocates on increasing the level of Tier 2 resources required. We note Tier 2 is not simply the portion of the RES that is for in-state renewables. Tier 2 is a much narrower subset, focused only on new renewables (2015 or later), five megawatts or less, connected to the Vermont distribution system. Effectively, these parameters restrict eligibility to new solar projects exclusively, given there is no new wind, hydro, or wood energy plant development occurring in Vermont, and even if there was it is unlikely to be economical at that size. Tier 2 does not account for new regional renewables that also reduce greenhouse gas emissions, such as offshore wind projects. Tier 2 does not account for existing in-state renewables, such as Vermont wind, solar, hydro and wood generation resources built prior to 2015. Given the narrowness of Tier 2, the Department should carefully consider whether that Tier is the appropriate vehicle for new renewable procurement requirements above current levels. Vermont cannot strategically electrify while relying on solar alone as its only new resource. Reliance on solely solar development creates significant need for storage and/or transmission. State policy that supports diversification of renewable resources merits consideration, and simply increasing Tier 2 picks solar as the de facto exclusive resource for any new renewable energy development in Vermont.

Whatever changes are ultimately recommended by the Department as part of the process should account for renewable generation development progress made to-date. Some utilities are already 100% renewable or even long on renewable power. Forcing utilities to purchase additional resources (whether energy or RECs) in excess of their needs does not provide a climate benefit and forces them to act as merchant generators that take on needless additional cost and risk. As noted previously, utilities have made multi-year resource contract decisions based on the direction of state policy under the existing RES. Any changes recommended to the RES should not penalize a utility for achieving state goals earlier than required or create regulatory uncertainty that could disincentivize utilities from exceeding their renewable requirements.

We also note that absolute cost, relative cost (versus alternate fuels and other New England regions), customer costs, and cost increase trajectory are critical metrics to consider in addition to simply "cost-effectiveness". Further, any cost-effectiveness analysis should consider the comprehensive local, state, and national economic context, including factors such as high inflation, COVID and potential costs of necessary upgrades to transmission and distribution resources to accommodate additional development of solar located far from utility load.

In addition, the undersigned would like to ensure the review process includes consideration of how to provide a safe harbor as it relates to rate or prudence concerns for utilities that consistently achieve greater levels of adoption than is required by Vermont's annual goals (for example exceeding Tier 3 requirements) as this supports additional progress toward state climate policy goals. In addition, the Department should consider options for providing utilities with flexibility to support higher incentive levels for low-income customers through Tier 3 while still broadly meeting cost-effectiveness criteria.

Finally, state policies across agencies should work in concert and not conflict. For example, while some state policymakers advocate for additional local renewable energy, certain agencies may be taking steps

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<https://publicservice.vermont.gov/sites/dps/files/documents/2022%20CEP%20AppendixC%20Renewable%20Energy%20Standard%20Report.pdf> (page 8)

that result in curtailment of hydropower output in Vermont. Similarly, if changes to the RES create a need for transmission and distribution upgrades to accommodate additional renewable generation, this would conflict with the Vermont System Planning Committee's purpose of minimizing investments in additional transmission development. Such potential inconsistencies in state policies should be considered and addressed as part of this review.

Net-Metering and Procurement

The undersigned appreciate the Department's stated desire to consider better alignment of Vermont's renewable energy programs and policies. One area of great complexity is net-metering, with Vermont's structure perhaps being amongst the most complicated and costly in the nation from a customer perspective. Simplification of net-metering, particularly evaluating group net-metering, merits significant consideration as part of this review. The undersigned continue to strongly support traditional net-metering projects 15 kW or smaller that are located at or near load.

"Group net-metering," however, is not net-metering as traditionally conceived of, and this area of policy merits a more expedited review as each year that goes by with additional projects coming online means additional costs to customers who are not a part of the systems. While group net-metering was originally well-intentioned to help spur solar development, there are better ways to develop solar to benefit all customers by ensuring it is cost-effective and in way that benefits all customers, not just the customers able to participate directly in the net metering program.

When Vermont began many of its current policy efforts to support solar around 2010, only approximately five megawatts of solar net-metered resources were developed in Vermont. There are now hundreds of megawatts installed or pending, and the program structure needs to evolve to match with Vermont's now robust solar generation resources.⁵ In effect, certain components of the initial policy structures that were intended to get solar development moving are no longer necessary.

Load Growth and Renewables

The undersigned agree that as Vermont continues to strategically electrify, we will need additional diversified renewable energy, whether in Vermont, regionally, or a combination, to meet the load growth demand. However, such load growth has yet to effectively materialize. Statewide load growth has largely been flat or declining for a number of years, with COVID exacerbating that trend in certain utility service areas. Any effort to procure new renewable energy resources and/or RECs to meet expected load growth must be prudently managed to anticipate the timing of that growth, or such efforts will risk putting utilities in the merchant position we referenced above. The Department's review should ensure any new renewable energy procurement policies are properly considered in the context of timing and demand.

Conclusion

We thank the Department for undertaking this review process and welcome any outcomes that simplify complex or overlapping policies, reduce costs to ratepayers and customers, and increase focus on equity and relative climate benefits. We firmly believe an 18-month timeframe will be necessary to fully engage all stakeholders and the public, conduct necessary economic and emissions scenario modeling for any proposed recommendations, and reach a fair conclusion. With that said, we reiterate that some discussions, such as ways to reduce the cost burden of group net-metering, should be expedited as part of this review. We look forward to commenting individually with greater detail and reflection of our



individual service areas and customer needs, and we look forward to engaging with the Department and all participants during this process.

Signed,

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