



January 13, 2016

Vermont Public Service Board
112 State St. Drawer 20
Montpelier, Vermont 05620-2601

Re: Comments to Public Service Board Draft Rule 5.1000 for Net Metering

Dear Clerk of the Board,

Please find enclosed comments from Encore Redevelopment, LLC in regards to the Draft Rule 5.100 as proposed by the Board.

Please contact us should you have any questions or require additional information.

Sincerely,

Chad Farrell, Principal
Encore Redevelopment, LLC

110 Main Street 2nd Floor, Suite 2E Burlington, VT 05401

office (802) 861-3023 *email* info@encoreredevelopment.com *web* encoreredevelopment.com

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Encore Redevelopment, LLC Comments to the Proposed Draft Rule 5.100

Encore Redevelopment, LLC (“Encore”) is a Burlington, Vermont-based project development company that has developed renewable energy throughout Vermont since 2007. Our philosophy is to foster sustainable growth, environmental awareness and community benefit by creating opportunities for the redevelopment of underutilized property and the generation of distributed, clean, renewable sources of electricity. In accordance with this mission, we have developed numerous net metered solar projects in Vermont on behalf of customers including towns, schools, hospitals and other public and private institutions.

More specifically, Encore has a vested interest in the development of new Public Service Board (“Board”) net metering rules, which will impact our customers, clients, and employees. As such, please find below our comments regarding the Draft 5.100 Net Metering Rule (the “Draft Rule”) and our thoughts on how the Draft Rule may be improved.

Renewable Energy Certificates and Siting Incentives

The \$0.03 adder associated with the Renewable Energy Certificates (“REC”) generated by a facility should be applied to all kWh of energy production from a net metering system, rather than limited to only the excess production as currently proposed. The value provided by a project is not limited to only the excess generation and therefore a customer should be fully compensated for that which they provide to the utility. In short, crediting RECs for all production will provide customers the *quid pro quo* for the RECs the utility is permitted to claim in its power supply portfolio, should RECs be ceded to the utility.

In the same vein, a siting \$0.02 incentive should apply to all kWh produced because the incentive is in reflection of the facility’s location, and the full value provided by that entire facility. Limiting application to only excess generation does not account for the benefit provided by and costs associated with the siting of a project in a logistically more difficult and expensive location.

Further, Encore proposes the removal of “sanitary” from the definition of eligible landfills for the siting adder. Limiting this incentive to only sanitary landfills eliminates a number of viable opportunities for the appropriate and responsible siting of solar facilities on all landfills throughout the state (eg. construction and demolition debris landfills).



Group Allocation

One of the many benefits of net-metering groups is the diversity of customers (both in size and location) that are able to participate in net metering due to the joining of forces with fellow customers. As a result, customers have benefited from the ability to allocate production from a net metering facility in order to address their specific demand within a group, such as via a percentage based allocation, waterfall allocation, etc..

As such, Encore would promote the revision of Section 5.105(c) to allow for allocation to be completed in ways other than solely percentage based.

Grid Fees

Grid fees applicable to only net-metering customers are unduly discriminatory, act as a barrier to customer participation in the program, and fail to acknowledge the benefits from Distributed Generation to all utility customers, including environmental, economic and social benefits.

Net metering uses private financial resources (i.e. non utility resources) to build and maintain significant portions of the “distributed grid” that the State and its electric utilities desire, rely on, and benefit from to help Vermont reach its renewable energy goals. Imposing additional financial burdens on these customers will hinder future development, therefore Encore supports the removal of language requiring or permitting additional grid fees. Should specific network upgrades of interconnection fees be necessary to the customer, Rule 5.500 provides such an avenue based on the impacts of individual projects.

Tariff Applicability and Grandfathering

Presently, net metering customers are credited at the highest retail block rate for the first ten years and then drop back to the blended residential retail rate. These rates have a long and reasonably stable history allowing for a reasonable level of investment certainty. As proposed, the Draft Rule retroactively alters the underlying law and tariffs that were relied upon in order to finance systems in operation today. The result of any such drastic change would be the destabilization of the long-term debt structures utilized to finance the systems. Based on the success and stability of Vermont’s net metering program, many Vermont lending institutions offer debt terms 15 years or more. Thus, such a retroactive change would cripple the long term financing of existing systems.



Looking to the future, the implementation of Section 5.103(B) of the Draft Rule to new projects would result in too much uncertainty for customers, investors, or lenders and would severely handicap financing for systems commissioned after December 31, 2016.

Cap on Net Metering

As evidenced by the recent issues caused by Docket 8652¹, an arbitrary cap on net metering results in a rush to file interconnection applications, an increase in stranded costs, delayed projects, and an unclear regulatory framework in which to develop projects. As a result, rather than efficiently supporting the deployment of renewable energy, the Department of Public Service, developers, and other stakeholders are forced to spend time and resources trying to sort out which projects are eligible for net metering.

Instead of a cap, Encore supports a review of the net metering program once net metering generation equals 7 percent of an electric company's annual energy sales (as opposed to capacity) over a consecutive 12-month period. This review will allow for a more seamless transition between stages of renewable energy deployment and will provide for an ongoing and realistic appraisal of Vermont's distributed generation program.

Group Net Metering – 10 Mile Restriction and Facility Location

The 10-mile restriction in draft Rule 5.102's definition of "group net metering" prejudices customers and landowners (including farmers) that would otherwise want to participate in net-metering, especially given they cannot allocate to customers one mile away if in a different utility territory. Additionally, as a result of any arbitrary radius between customers and a facility, many of the installations that are encouraged by the siting incentive would be precluded from participation and promising solar sites would go unused, resulting in more controversial siting. Finally, certain institutions with multiple locations throughout the state would not be able to participate in net metering to the full extent.²

Further, a "Net Metering System" should not be restricted to being located on a net metering customer's premises. This definition, in addition to the 10-mile prohibition, limits participation

¹ Green Mountain Power Petition to Extend the Net Metering Cap
http://psb.vermont.gov/docketsandprojects/electric/pending/Docket_8652

² As an example, Encore worked with Housing Vermont on the development of two group net metered solar projects in 2015 which allowed for an allocation of net metering credits to multiple low income housing facilities located throughout the state. The projects resulted in a cost savings on electric costs for these facilities and an opportunity for Housing Vermont to further its long term goal of providing perpetually affordable housing for Vermonters in need.



in net-metering to a select few and is counter to the stated purpose of net-metering in 30 V.S.A. § 8010(c)(1)(E), as revised by Act 99, which requires the Board to develop rules that “[ensure] that all customers who want to participate in net metering have the opportunity to do so[.]”

Aesthetic Evaluation of Net Metered Projects:

With regards to screening, current language in the Draft Rule requires that an applicant “shall include a proposal for aesthetic mitigation to harmonize the facility with its surroundings”. This requirement is repetitive and unnecessary based on the requirement in 5.109(A) of the Draft Rule that mitigation be considered in the Quechee test. The basic fact is that some locations cannot be screened and not all mitigation will harmonize a project with its surroundings. Rather, Encore supports the established principle that “generally available” mitigation that “a reasonable person would use” be employed. This is already incorporated into Board Rules and appropriate means of achieving feasible screening.

Finally, the limiting of projects to a certain percentage of lot coverage will result in developers needing to acquire more area within property boundaries. This provision directly conflicts with the requirement to have a system onsite, and undermines the purpose of setbacks already in practice. As such, this proposed limitation should be removed.

Decommissioning

The proposed decommissioning requirement is unrealistic and creates an insurmountable financial hurdle for smaller scale systems. By adding such a burden, in addition to the financial obstacles already in place to develop renewable projects, the Draft Rule requires inefficient use of capital to address the nonexistent risk of projects not being decommissioned. In the case of solar, and other net metering resources, the salvage value of material (i.e. steel, copper, solar panels, etc) will far outweigh the cost of removal after the useful life, removing any risk of these projects being abandoned.

Requiring all systems with capacities above 150 kW to demonstrate that the applicant possesses “sufficient financial resources” will result in significant expense (e.g. obtaining a decommissioning estimate and a letter of credit), that will further undermine the deployment of distributed generation

Conclusion

When considering the benefits of renewable energy, Encore supports a holistic view of those benefits provided such as environmental benefits, economic benefits, industry stability, reduction of greenhouse gasses, and climate change mitigation. In reflection of this, Encore urges the creation and implementation of Board rules that are consistent and well defined, and thus allow for the efficient and effective deployment of renewable energy throughout Vermont in order to meet the states renewable energy goals.



In addition to those comments provided above, Encore would also like to take this opportunity to support those comments submitted by Renewable Energy Vermont.

Finally, Encore extends its appreciation to the Board for the Draft Rule and conveys our support for those sections not specifically identified within these comments. We recognize the complexity involved in rule making and are grateful for the time and thought put into the drafting of this rule. We appreciate the opportunity to comment.