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January 13, 2016

Judith Whitney, Clerk
Vermont Public Service Board
112 State St., Drawer 20
Montpelier, VT 05620

RE: Net Metering

Dear Ms. Whitney:

Re: Rule 5.100 Net Metering Draft Rule Comments.

I. Introduction.

On December 7, 2015, the Public Service Board (“PSB” or “Board”) circulated a draft net metering rule among the Act 99 Working Group participants. The Board requested comments on the draft rule no later than January 13 2016. This letter is WEC’s response to the PSB’s requests for comments.

The Board has been tasked with developing net metering rules that meet the criteria set forth in 30 V.S.A. § 8010(c)(1). WEC believes the draft rule is both responsive and consistent with the requirements set forth in Act 99. However, WEC believes the proposed rule could be further enhanced by allowing utilities greater flexibility to include energy efficiency audits as part of their net metering tariffs. WEC proposes a 25% cap for net metering installations to insure that the unknown impacts of grid reliability and utility finances are adequately addressed. In addition, WEC believes the proposed rule should be clarified to measure blended residential rates, not merely the highest block in an inclining residential rate structure.

II. The Statutory Criteria Under § 8010(c)(1) Act 99’s criteria.

Act 99 provides the criteria to achieve a sustainable, fair and reliable net metering program. Specifically, the Board is tasked with developing a program pursuant to 30 V.S.A. § 3010(c)(1) that meets the following:

(A) advances the goals and total renewables targets of this chapter and the goals of 10 V.S.A. § 578 (greenhouse gas reduction) and is consistent with the criteria of subsection 248(b) of this title;

(B) achieves a level of deployment that is consistent with the recommendations of the Electrical Energy and Comprehensive Energy Plans, . . . unless the Board determines that this level is inconsistent with the goals and targets identified in subdivision (1)(A) of this subsection. Under this subdivision (B), the Board shall consider the Plans most recently issued at the time the Board adopts or amends the rules;

(C) to the extent feasible, ensures that net metering does not shift costs included in each retail electricity provider's revenue requirement between net metering customers and other customers;

(D) accounts for all costs and benefits of net metering, including the potential for net metering to contribute toward relieving supply constraints in the transmission and distribution systems and to reduce consumption of fossil fuels for heating and transportation;

(E) ensures that all customers who want to participate in net metering have the opportunity to do so;

(F) balances, over time, the pace of deployment and cost of the program with the program's impact on rates; and

(G) accounts for changes over time in the cost of technology.

The legislation also provides that the Board can adopt rules that allow utilities to offer differing features and requirements or programs designs. 30 V.S.A. § (c)(4). The draft rule allows differing elements among utilities, and WEC supports this flexibility. See Vt. P.S.B. Proposed Rule 5.107(A) & (C). WEC believes the proposed rule should be expanded to allow for additional flexibility in designing tariffs to implement Act. 99. Specifically, WEC proposes that the Vt. P.S.B. Rule 5.107 be amended to allow utilities the opportunity to design net metering tariffs that include energy efficiency requirements similar to WEC's existing tariff.

II. Energy Efficiency.

WEC requests that the Board amend its proposed rule and allow utilities to include in their program design features linked to energy efficiency. For WEC members that seek to build their own generation, we want to help and encourage the member to build generation sized to meet load as efficiently as possible. Just as WEC strives to build and secure generation in an efficient and least cost manner for all its members, so too should consumers that seek to build their own generation.

WEC believes linking net metering to the efficient use of energy is an important and appropriate policy goal. Maximizing energy efficiency has long been recognized as a policy goal under Vermont Law. See 30 V.S.A. § 218c (least cost integrated planning must include transmission, distribution, and comprehensive energy efficiency programs). Consistent with this policy objective, WEC's net metering program requires consumers to demonstrate they have

information available to assess the efficiency of their home or business before constructing distributive generation projects subject to net metering. WEC seeks to continue this provision in future program designs.

WEC's current net metering program requires high use residential, commercial, and industrial accounts to have had an energy efficiency audit within the past 10 years or show a 5 star or comparable rating of the premises. Residential consumers are only required to have an audit or 5 star rating if they are considered high use. If a residential consumer's average monthly use is 750 kWh per month or greater then they will be deemed high use (the average monthly use will be calculated and measured using a two year average of historic use or the most recent consumption history if less than two years). The decision and choice to implement audit recommendations remain with the member. WEC seeks to continue this feature in its net metering tariff that will be filed in response to the Board rule effective 1/1/2017.

III. 5.107 (A) (1) Cap.

The Board intentionally left blank reference to a specific limit or cap for net metering installations and sought comment on this requirement from stakeholders. WEC believes a cap is appropriate in the rule and recommends it be set at 25% of a utilities peak retail demand during 1996 or the peak retail demand during the most recent full calendar year, whichever is greater. WEC supports a cap that also allows a utility to petition the Board to continue and exceed a cap if it can demonstrate its program is in compliance with the criteria of Act 99 and is fair and sustainable for its consumers. WEC seeks a cap to adequately address the unknown impacts on grid reliability and serve as a safety net to help insure financial accountability.

The economic and grid impacts of net metering are dynamic rather than linear. As distributed generation expands, the impacts of the various benefits may change. For example, a T&D (transmission and distribution) benefit could become a cost if a circuit has more distributed generation than load. Peaks can shift as the pace of deployment continues. The benefits of the next increment of distributed generation can be different from earlier projects. This alone requires a continued assessment of the volume and pace of deployment to truly understand the impacts of decentralized generation. Also, some consumers are actually increasing their use of electricity thereby putting more demands on the infrastructure to balance load, generation and load growth. The economic analysis should not only take into account the items listed in the Vermont Department of Public Service's Fall 2014 report but also give consideration to future tipping points on the T&D system to move power. More deployment can result in expenses for T&D versus avoided T&D cost. In the working group discussion, this is referred to as a saturation point. Circuits can get overloaded as growth continues, and this result in less value for the next increment of solar.

WEC seeks a cap to serve as a safety net for financial accountability. Having the ability to pause and assess the impacts on finances and grid reliability is important. While WEC may be able to design a tariff that is financially consistent with the rule from a rate perspective, we must consider grid impacts and the cost of infrastructure to support distributed generation on the

system. The technical aspects of moving power on the grid could reach limits that necessitate equipment investments where costs could exceed benefits of grid connected distributed generation. Therefore, for grid and delivery infrastructure reasons we believe a cap is important as well as to check the just and reasonableness of a tariff over time.

It is further noted that the payment of excess generation proposed in the rule is at retail rates rather than the wholesale market value of power derived from net metering generation. This represents a premium and may be considered generous as reflected by the pace of installations occurring across Vermont under current utility net metering programs. This is also generous considering the falling cost of some technologies such as solar. By having a cap, utilities have the ability to pause and check that the rates paid for distributed generation remain just and reasonable and to assure the pace of participation is balanced and sustainable as mandated by Act 99.

WEC also supports that the peak be set for all net metering systems regardless of size (i.e., the cap should apply to distributed generation including those that are less than 15 kW as well as systems 15 kW and greater). The impacts of increasing net metering regardless of size are unknown and we believe the cap should be applied to all systems and not just larger systems.

Act 99 calls for continued reporting and evaluation post implementation of a new net metering structure. Having the ability to “pause” through a specified limit allows utilities to understand the impacts both financial and technical on the grid prior to adding more systems. Act 99 (V.S.A. § 8010(d)) states utilities must periodically analyze the impact of deployment, recommend future pace, analyze cross-subsidy issues, evaluate effect on utilities’ infrastructure and revenues, evaluate benefits and costs, analyze economic and environmental benefits as well as short term and long term impacts on rates, look at reliability and diversity benefits, evaluate REC ownership, and examine and evaluate best practices from other states. Having a cap allows utilities to pause, reflect and periodically check that a program design is sustainable and will last long term.

III. Retail Rate Reference Clarification.

The draft rule provides credits for excess generation at residential retail rates. See Vt. P.S.B. Proposed Rule 5.104(5). In the case of a utility with inclining block rates, WEC believes this should be defined as the blended rate of the residential energy blocks. Paying excess generation at the highest block does not accurately capture the energy rate component as it is tied to the highest retail block. WEC requests that the proposed rule be modified to reflect a blended rate based on the utilities weighted average use of all customers in the rate class.

IV. Other Issues.

WEC supports many of the provisions of the draft rule including, but not limited to, not allowing net metered credits to be used against EVT or low income fees, all net metered systems being subject to the aesthetic Quechee test, screening and notice requirements, use of net metered

bill credits within 12 months, allowance of two meters with the member paying meter costs, RECs defaulting to the utility, and if consumer chooses to keep the RECs a reduction in the value of excess generation, as well as other features of the rule.

WEC also supports the Board's inclusion of limits to grandfathering participation and rolling prior program designs into the new tariff. The cost and complexity to administer multiple programs is a concern and it also creates inequity issues among members. A sunset or limit upon prior program designs allows utilities to systematically roll net metering members into program designs that go into effect on January 1, 2017. Ultimately having all members in one program contributes to equity and fairness among all WEC members and reduces administrative and implementation issues in the future.

In the Fall of 2014, the Vermont Department of Public Service issued a report with analysis demonstrating that distributed generation has different cost and benefit impacts to each utility. Many of these impacts vary due to differences in peak, power supply needs, fixed costs, stranded costs, penetration of net metering, rate structures, consumer demographics, etc. WEC also notes that the Act 99 states that it "does not require the Board to adopt identical requirements for the service territory of each retail electricity provider." 30 VSA § 8010 (c)(4). With this in mind, and given that WEC's current program meets the principles of Act 99, along with the goal to preserve continuity to WEC's members, WEC seeks to continue its current program into 2017 along with changes made to the rate for net excess generation. WEC believes the proposed rule should provide the requisite flexibility for WEC to continue essential elements of its current tariff.

Thank you for the opportunity to comment and WEC looks forward to participating in this rule making process.

Sincerely,



Patricia H. Richards
General Manager

cc. Joshua Diamond, Esq