

Senators,

Good morning. Allow me first to thank you for hearing my thoughts on House 40.

---

My name is Bill Scully and I have called North Bennington home for the past twenty five years. I have started several successful businesses in the Bennington area. Around six years ago I became concerned with what I saw as a Vermont energy plan which disenfranchised Vermonters. We own the most valuable attribute toward our renewable energy goals, water, and yet we chose to outsource the vast majority of our power production to foreign companies. Those who know me were not surprised when my concern led me to get my hands dirty.

Currently, I am one of the owners of a company I started with the specific goal of revitalizing Vermont's hydroelectric industry. That company, Carbon Zero, LLC, is currently three months from completing a six year redevelopment of the Vermont Tissue hydroelectric works. In a joint memorandum sent to the Chairman of the Federal Energy Regulatory Commission, Representative Welch, Senator Sanders and Senator Leahy called this redevelopment "a pioneering small scale project" that "could be a model for other appropriate sites around Vermont".

---

The redevelopment at Vermont Tissue has been a groundbreaking effort to encourage the participation of environmental advocates as stakeholders and to marry their concerns with modern hydro technology. As I am sure you are aware, one of the biggest hurdles for hydro in Vermont is water quality. I have made many friends in the Agency of Natural Resources, House Natural Resources and private groups interested in protecting our waterways. This is largely due to my appreciating their efforts. I believe that we have the highest quality waterways in New England due to the strict scrutiny with which those charged with the care of the waterways issue Water Quality Certificates and hold Licensees to a higher standard. The former is an increased cost to develop this resource and the latter invariably leads to reduced income.

Another issue that further complicates hydro in Vermont is the one size fits all policy-making. We are only now beginning to develop our in-State hydroelectric after a decades long hiatus. Hydro operates under a radically different set of criteria from other renewables. Thus, we should allow for appropriate measures for this technology. Of many, one example of how the one size fits all policy making doesn't always work well is the Certificate of Public Good process as it relates to hydro. One must have a CPG to do things like acquire a loan or start construction and of course to build a Net Metering Group; however, they expire after one year. This is incredibly impractical as it is nearly impossible to build a hydro site in one year. FERC's hydro timeline for a Minor License is to start the project within two years and complete it within five years. The PSB was very

accommodating and granted an extension expeditiously, but this creates an unnecessary worry and expense for the grantee and we are likely to have to request yet another extension. I am mentioning this simply as an example of what I view as a systemic problem with how we are bunching all the renewables together as if they were equal, but only on the expense side of the scale, not revenue. This issue has a direct result of unnecessarily increasing the cost of hydro development in Vermont.

The point I make is that we can't have it both ways. We cannot have an incredibly onerous and costly Licensing processes and at the same time prohibitively low rates for hydro projects such as VT Tissue. Ironically it is what brings me here today. When we started the monumental task of redeveloping Vermont Tissue, the law read one way. Now, near completion, we are facing a catastrophic policy change.

---

Allow me to detail the current method for calculating revenue for Group Net Metering. The current income for a Group Net Metering site can be explained in the following:

$$\text{Income} = \text{Rate Credits (at Rate 1)} + \text{RECs (at market rate)}$$

This is how we are interpreting the current language in House 40 Section 12, 30 V.S.A. § 8010(c), (1), (H), (i):

$$\text{Income} = \text{Rate Credits (at Rate 1)}$$

This represents a 30% revenue reduction in what I feel is an already undervalued and critical area of Vermont's energy portfolio.

Further, though I have some confidence that our project is grandfathered on this policy change, I am not absolutely certain that is the case. That is a bit frightening. This fear is compounded by the vagueness with which the word credit is used to describe at least two separate and distinct things in the same passage. This leaves the law open to wide interpretation and possible abuse.

---

Recognizing that solar is not a self-sustaining financial model, the Legislature and PSB have set artificially high rates for solar and other renewable technologies. Case and point, how many non-Vermont companies have developed new hydro in VT in the past 3 decades versus non-Vermont companies investing in solar in VT? Regardless of opinion, the data clearly indicates that the New England energy industry considers and has

considered for decades our hydro rates to be far less favorable than other energy technologies. They are simply not coming to Vermont to develop hydro, but they are flocking to develop solar.

Some current language in H.40 sets up roadblocks that don't currently exist thus creating a harmfully low rate cap for micro hydro. The VT Legislature and Governor Shumlin have charged us with a mission to meet a renewable energy goal by 2050. I stand before you as Vermont citizen who answered your call. Small hydro developers need your help on this issue. Please delete Section 12, 30 V.S.A. § 8010(c), (1), (H), (i) or amend it so that it both does not adversely affect Group Net Metering. The following language may work to this end:

- (i) if ~~the~~ a customer receiving a rate adder retains the attributes, reduces the value of the rate credit provided under this section for the electricity generated by the customer's net metering system by ~~an appropriate amount~~ a proportional amount not to exceed the amount of the adder; and

Help us to Reclaim Vermont's Energy Future.

Thank you and be well.



William F. Scully

April 22<sup>nd</sup>, 2015