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**State of Vermont
Public Service Board**

February 8, 2017

Hon. Christopher Bray
Hon. Ann Cummings
Hon. Stephen Carr
115 State Street
Montpelier, VT 05633-5301

Re: Exemptions from the Standard-Offer Program

Dear Senator Bray, Senator Cummings, and Representative Carr:

On behalf of the Public Service Board, I am writing to raise a concern the Board has identified with regard to the standard-offer program. Under current law, costs associated with the purchase of standard-offer power and program administration are divided among Vermont's retail electricity utilities based on their *pro rata* share of statewide electric sales. Section 8005a(k)(2)(B) of Title 30 of the Vermont Statutes Annotated states that if "the amount of renewable energy supplied to the [utility] by generation owned by or under contract to the [utility], regardless of whether the [utility] owned the energy's environmental attributes" exceeds the utility's total electric sales, the utility shall be "exempt and wholly relieved" from the requirements of the standard-offer program. Prior to 2017, only one utility, Washington Electric Cooperative Inc., claimed this exemption, but this year two additional utilities, the City of Burlington Electric Department and the Swanton Village, Inc. Electric Department, have become eligible as well.

This exemption, although provided for by law, has policy implications that will increase the compliance costs of the standard-offer program for the remaining utilities and could, if expanded to other utilities, undermine the operation of the broader program. Because costs associated with the standard-offer program must be divided among the non-exempt utilities, each utility that becomes exempt will decrease the number of utilities, and therefore the number of ratepayers, among which to distribute this *pro rata* share of program costs. This will result in increased costs for those ratepayers whose utilities remain in the program. Should additional utilities become exempt, this pressure will result in a limited share of Vermont's ratepayers shouldering all of the costs of the overall program.

In addition, we observe that the statutory exemption, as currently devised, does not require utilities to own the environmental attributes associated with the renewable generation used to qualify for the exemption. In light of this, it is possible that some utilities may become exempt