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A handwritten signature in black ink, appearing to read "A. Cohen", is positioned above the "To:" field of the letterhead.

To: Senate Finance
From: Andrea Cohen, Manager, Government Affairs and Member Relations, VEC
Date: February 23, 2020
Re: S.267

Following the testimony we offered on February 14, we would like to reiterate that VEC is committed to ensuring a reliable, cost effective, and low carbon energy supply. We are on track with the current Renewable Energy Standard requirements, and we are especially proud of our success in procuring low cost, low carbon resources.

VEC can support a 100% by 2030 Tier I requirement, provided that large hydro is not limited as an option for meeting the Total Energy Requirement.

As we stated in our previous testimony, increasing Tier I requirements would result in higher costs. Limiting the options to meet Tier I would further increase costs and put Vermont at a competitive disadvantage relative to other states in the region. Large hydro is also a valuable baseload source of power that is important given the intermittency of other renewable resources such as solar and wind.

VEC does not support higher Tier II requirements because it would increase rates and would not result in meaningful carbon reduction.

While the proposed increases in Tier II requirements are attainable, they would come at a significant cost to VEC members and would be a hardship to the many low income Vermonters who are already having difficulty in today's economy.

In the scenarios laid out in our testimony on February 14, the incremental cost increases to the Tier I and Tier II changes would be in the range of \$2.3 million (if served at 9 cents/kWh) to \$4.39 million (if served at 14 cents/kWh) in sample year 2032. This cost range does not include VEC's share of the anticipated infrastructure costs of \$1.2 - \$4 million, as described by VELCO in their testimony. The total annual incremental cost to VEC would therefore be in the range of \$3.5 - \$8.4 million which equates to a rate increase of 4.3% - 11.5%. These increases are in addition to the rate impact of the current RES requirements, the full impact of which has not yet materialized.

If the legislature wanted to mitigate upward Tier II rate pressure, reducing the size of new renewable energy projects that qualify for net metering could make an important difference.

As VEC has communicated in previous PUC dockets and legislative proceedings, it is not wise or economically sustainable to pay above market rates for larger renewable resources. The

requirement to accept large net metering projects at above-market rates directly contradicts least-cost principles. Net metering projects larger than 150 kW are almost always directly connected to the grid, not co-located with or offsetting load, and typically serving one commercial customer. These projects function the same as projects developed under Power Purchase Agreements, except at a significantly higher cost because the utility cannot negotiate price or location.

The legislature should limit the size of new net metering to 150 kWh.

This action would focus on the smaller projects that directly serve homes and businesses and return to the concept of what Vermont envisioned as net metering. Projects larger than 150 kWh could continue to be developed through competitively procured PPA's, which will help optimize price, size, and location. VEC's Alburg, Grand Isle and Hinesburgh community solar projects are examples where we have implemented projects that deliver solar at a competitive price, and in locations that do not exacerbate grid constraints in our region.

Location of new renewable projects must be taken into account.

Poorly located projects can increase utility cost by causing curtailment of existing renewable generation resources. Some believe that the PUC has already addressed locational concerns in recent rulings. However, because those rulings are decided on a project-by-project basis rather than according to a specific principle, they require considerable time and resources to address. Others believe that interconnection studies addresses any locational issues, but the interconnection studies are designed to address only whether the system can handle the generator from a physical perspective, not whether it will cause existing renewable resources to be curtailed, which is a major issue we are facing as we strive to make smart investments in a clean electric grid. Establishing a permitting process requirement or setting a price based on location could be ways to address this.