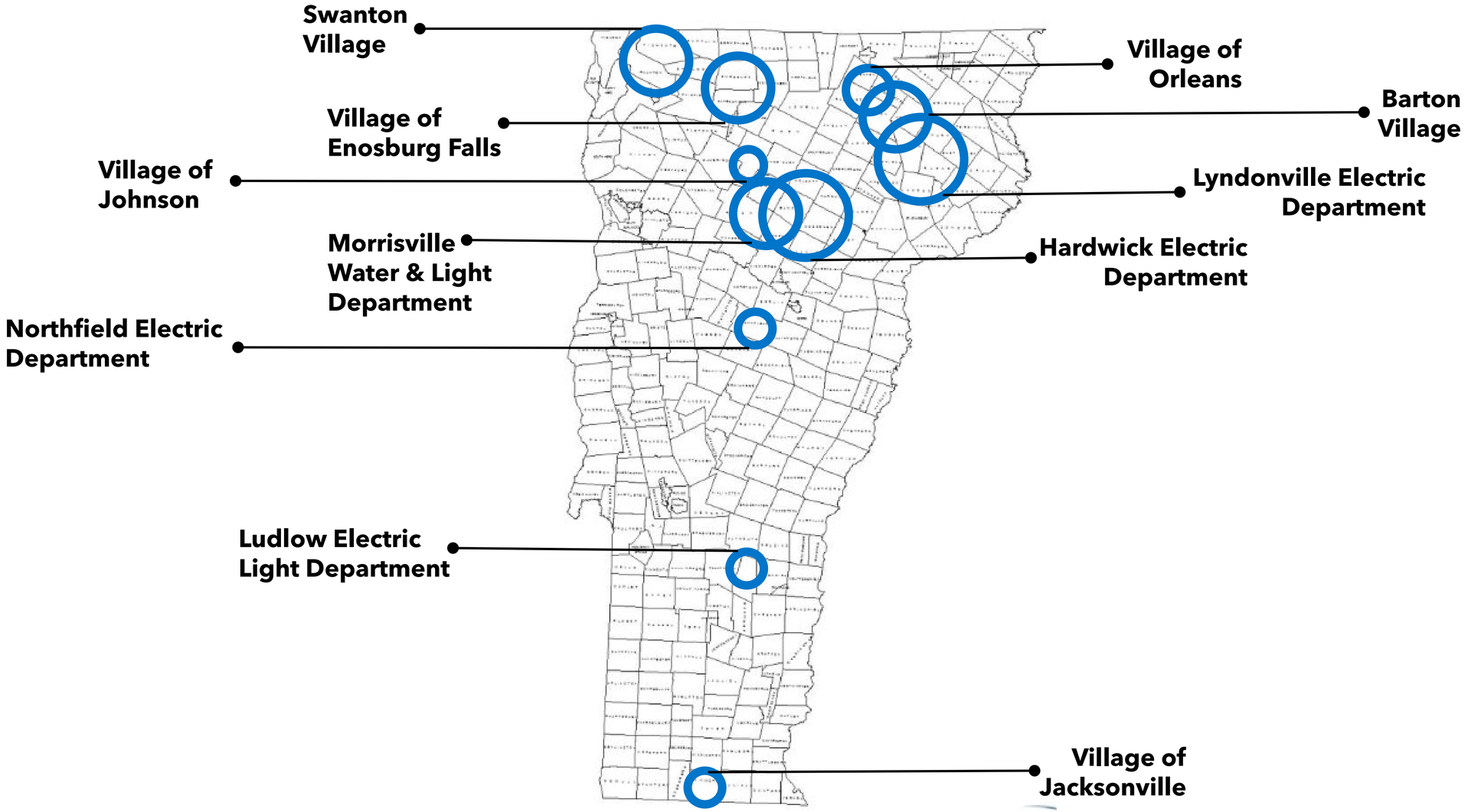
VPPSA

Vermont Public Power Supply Authority

S.119 Bill Testimony

VPPSA Members



Vermont's Municipal Utilities

Transparent

- Our utilities' books are open.

Non-Profit

- No motive for imposing higher costs than necessary on ratepayers

Community-Owned

- Financial benefits flow directly to community members.

Democratically-Controlled

- The public has a voice in utility decision making.

When a Municipal Utility develops a solar project, it *is* a community energy project.

VPPSA Renewable Energy Projects

Bone Hill Solar:

- Northfield
- 1.25 MW
- June 2021

Lawrence Brook Solar:

- Morrisville
- 2.2 MW
- December 2020

Billings Road Solar:

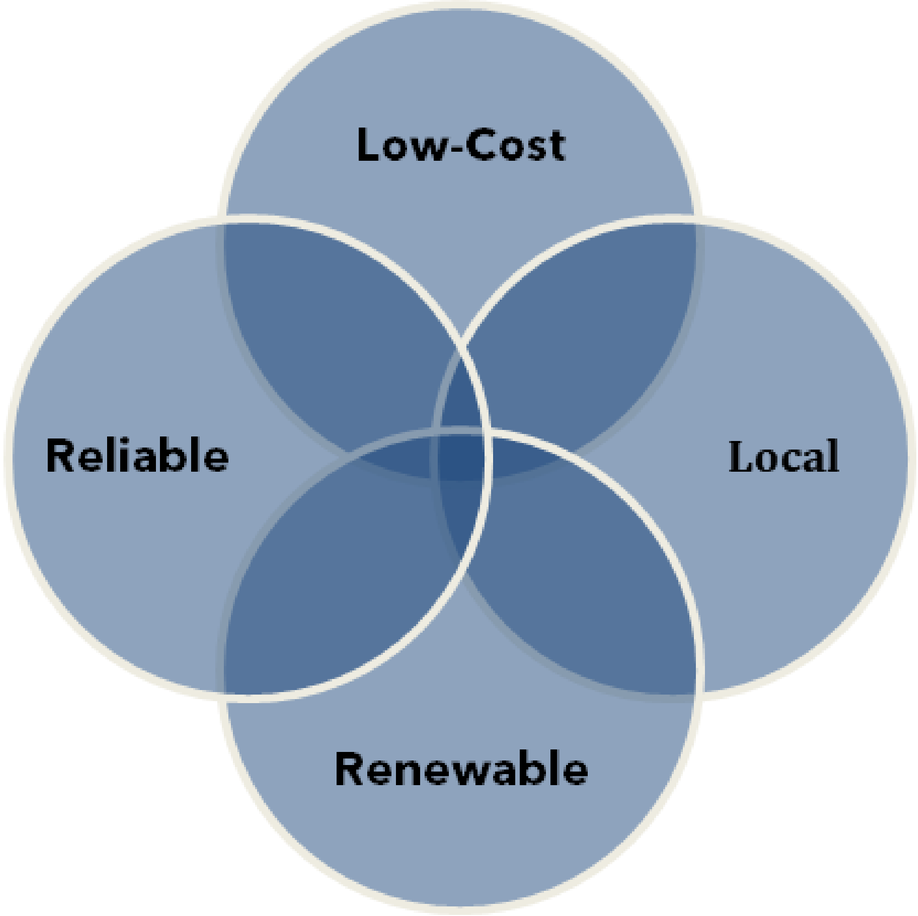
- Hardwick
- 1.62 MW
- June 2021

Pecos Wind Partnership:

- Community Energy
- 85 kW generators
- Price competitive with solar

Existing Policy Framework

- **Renewable Energy Standard**
  - Dictates the amount of renewable energy to be sold to Vermont consumers.
- **Least-Cost Integrated Resource Planning**
  - A 20-year plan that is filed with Public Utility Commission every three years. 30 V.S.A § 218c.
- **VPPSA's Approach**
  - Low-Cost,
  - Renewable,
  - Local, *and*
  - Reliable



How would your organization define Vermont's renewable energy generation challenge(s)?

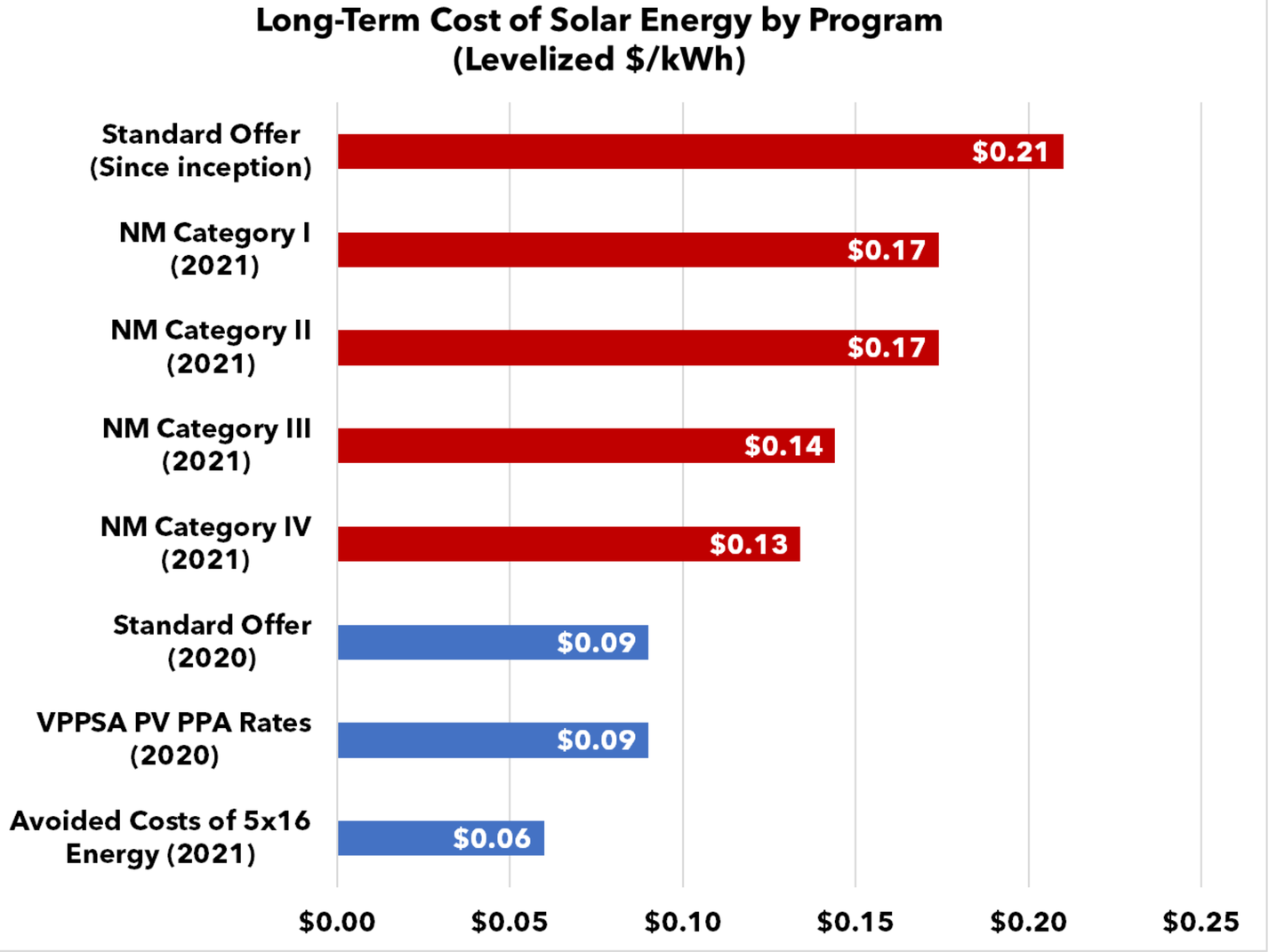
- **Overly prescriptive mandates that dictate *how* Vermont's goals must be met.**
  - This approach has been demonstrated to result in unnecessary costs to ratepayers.
- **Excessive focus on electric sector to the detriment of tackling emissions and costs from other sectors.**
  - Electric sector accounts for 10% of emissions and 23% of household energy costs.
  - Funds spent promoting solar cannot be spent on more effective climate mitigation strategies.

Is it to address how Vermont can make more progress on fulfilling its Tier 2 obligations in the most cost-effective manner?

- **Utilities *are* meeting Tier 2 cost-effectively**
  - Partnering with developers and negotiating the best value for ratepayers
  - 2019 Tier 2 Compliance cost ~ $39/MWH
  - Alternative Compliance cost ~ $62/MWH
    - The biggest obstacle to meeting Tier 2 cost-effectively is the price of net metering.

- **Vermont's collective experience with administratively set rates has resulted in excessive costs to customers.**
  - Standard Offer auction mechanism dropped prices **50% in one year**.
    - 2012 price 27.1 cents/kWh
    - 2013 price cap was 25.7 cents/kWh
    - 2013 contracts were awarded for 13.4 -16.9 cents/kWh
  - Developers will respond to policy changes and market forces

Cost Comparison



State set prices for renewable energy have been unnecessarily high.

Is it to address energy burden and social inequity by developing RE for low-income Vermonters?

- **VPPSA members concerned that the financial benefits of solar have largely gone to higher-income communities**
  - Participation by low-income customers should be subsidized to ensure access.

- **Attempting to address income inequality through the regulated electric sector has drawbacks.**
  - Any adders beyond the value to the utility creates a cost shift.
  - Financial benefits that flow to some customers are *costs* to other customers.

- **Energy burden must be looked at across energy sectors.**
  - Transportation sector accounts for highest emissions and household expenditures

Is it to sustain the state's workers in our clean energy economy?

- **Rationale for more solar development focused on jobs rather than environmental or consumer benefit**
  - Not sustainable to assign the cost of maintaining profits for a specific workforce to electric ratepayers

- **VT will end up losing other sectors of the economy if we continue to push costs onto other customers.**
  - Electric rate pressure undermines economic development.

- **Solar is not the only element of the "clean energy" economy.**
  - VT must focus on clean energy in the heating and transportation sectors.

And who should own these new assets?

- **Utilities evaluate all ownership structures.**
  - Utility-owned, merchant projects, PPAs, etc.
- **Outside of net metering, what opportunities are there for developers to lead on RE generation?**
  - Not in ratepayers' best interest for for-profit developers to *lead*.
    - Developers are not obligated to engage in least cost planning.
  - Developers can participate in RE development through Net Metering, Standard Offer, 4.100 (PURPA), and utility contracts/PPAs.
- **And at what scale do we want to build such facilities?**
  - Diversity of scale is desirable. 5 MW is too big for many munis.
  - Achieve economies of scale while locating generation close to load

Where are we now?

- **On the way to a 100% carbon free electric supply**
  - RES requires 75% renewable electricity by 2032. VT is on track to achieve that.
  - Utilities are partnering with solar developers to build projects.
- **Vermont's lucrative solar programs have resulted in solar development costs in excess of what is beneficial to ratepayers.**
  - The time for solar subsidies has passed
    - Solar can compete economically on its own.
- **Cost pressure in the electric sector is undermining state climate goals.**
  - Increasing electric costs make it more difficult to electrify heating and transportation.
  - Solar beyond current requirements will necessitate expensive grid upgrades.

Where do we want to be?

- **Cleaning up the other two energy sectors.**
  - Significant progress is needed in reducing **emissions** and **household costs** from heating and transportation.
    - For example, subsidizing EVs and Heat Pumps would alleviate energy burden and significantly reduce carbon.

- **Implementing policies that result in sensible siting of renewable generation.**
  - The grid adjustor concept proposed in S. 119 could be applied to Net Metering and Standard Offer.
    - Minimize transmission costs to ratepayers

- **Investing in strategies to cost-effectively manage load and renewable generation.**

Concerns

- **Any adjuster beyond value to ratepayers creates rate pressure and cost shifting.**
  - Utilities could be forced to sell excess generation at a loss.
- **S. 119 doesn't require renewable power to stay in Vermont**
  - Renewable energy in excess of Tier 2 will be sold out of state.
- **Solar deployment in Vermont is on the verge of necessitating major upgrades to the transmission system.**
  - We can meet existing Tier 2 requirements if located sensibly.
  - Forcing utilities to overpay for more solar than needed compromises our ability to site power for our own use in VT.

Recommendations

- **Require Distribution Utilities to offer Community Energy Programs.**
  - Utilities will select the model that meets this mandate at least-cost

- **Use state funds to subsidize participation by low-income Vermonters.**
  - Avoid rate pressure and cost shifting

- **For example, $9 Million could pay for 3 – 6 MW of solar capacity**
  - Serve ~1000 – 2000 households' total electric need OR
  - Provide ~25% discount to 4000 – 8000 households on their monthly bills

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VPPSA
Vermont Public Power Supply Authority

Putting the Public in Power.

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