

Comments by Stephen Bushman to LCAR pertaining to Final Proposed Filing, Rule No. 23-P19, Vermont Public Utility Commission, Rule 5.100 Rule Pertaining to Construction and Operation of Net-Metering systems (the “Net-Metering Rule”). Comments submitted to LCAR via email on 12/9/23 with a cc to VT PUC (Case No, 19-0855-RULE).

I am an individual that owns and operates a small net metering system as referenced on page 9 of the LCAR submittal. I am referenced by name on page 141 of the same submittal. Thank you for the opportunity to comment on these important proposed rule revisions.

The following comments pertain to the proposed final rule posted with LCAR on 11/09/23 and 11/27/2023 (dates from PUC case 19-0855-RULE). These comments address changes to the original proposed rule that significantly affect individual net metering customers. There is also a mistake in DPS comments pertaining to blended residential rates that is discussed. These comments focus on three areas:

1. Requiring revisions to an electric company’s net metering tariffs fixed costs to be filed as a separate tariff case, 2. Changing the definition of “blended residential rate” to remove part (3) pertaining to weighted statewide average, and 3. Change section 5.128(G) from may to must. Details on each follows.

1. Electric Companies’ net metering fixed costs. Recommendation: Include a section or subsection requiring utilities to file a separate tariff case to revise fixed costs found in their net metering tariff. This would conform with the decision reached by PUC and DPS in case 23-1682-TF, issued 9/12/2023.

A summary of my comments and the PUC response on this issue can be found on pages 14 through 16 of 24 of the document “Explanation of the Vermont Public Utility Commission’s reasons for accepting or rejecting requested changes to the original proposed rule,” which starts on page 141 of the LCAR submittal.

Rational: As currently proposed, section 5.128(H) requires that electric companies must file no later than June 1 revisions to their net-metering tariffs that incorporate the new values set forth by the Commission in its biennial update order. These values include adjustors, the electric companies’ blended residential rates, and the statewide blended residential rate. Each tariff must be filed as a new tariff case in ePUC. This tariff compliance filing may not include any other proposed changes to the electric company’s net-metering tariff.

However, Rule 5.100 does not address filing tariffs to revise the fixed costs in an electric companies’ net metering tariff, even though these fixed costs found in an electric companies’ net meter tariff are allowed by 30 V.S.A §8010 (Self-generation and net metering) and section 5.133 of the Net Metering Rule.

These fixed costs found in an electric company’s net metering tariff (typically a monthly account management fee, a one-time set up fee, and a production meter installation fee) vary considerably by electric company. According to the most recent net metering tariff posted on electric companies’ websites (effective 9/1/2022), three electric companies have monthly account management fees ranging from \$3.97 per month to \$8.85 per month. One time set up fees range from \$0 to \$33, and the

production meter installation fee range from \$100.95 to \$402.23. The set-up fee and meter installation fee are upfront costs and they are paid as an additional charge by the net metering customer. The monthly net metering fee is either accounted for by a reduction in monetized credits or as an additional charge on the net metering customer bill if there are no credits left. These monthly net metering fixed charges are not insignificant to the net metering customers that have to pay for them, since they currently represent an annual charge between \$47.64 and \$106.20. At the current statewide average blended rate of \$0.17141/kWh, 288 kWh of excess generation is needed to cover the \$47.64 annual cost while 619 kWh of excess generation is needed to cover the \$106.20 annual cost. These are significant reductions to the credits that would have been used to offset electricity costs in the winter months when electric consumption can easily outpace solar production, especially for those net metering customers that have installed heat pumps to reduce fossil fuel consumption. While it is acknowledged that these charges are allowed by statute and rule pertaining to renewable energy programs, they do affect net metering customers differently depending on the service territory the net metering customer is in. While only a small number of utilities have monthly account fees and one time set up fees, thousands of net metering customers are affected by them. Every new net metering customer is affected by the meter installation fee.

Additionally, On 9/12/2023, the PUC issued ORDER APPROVING BLENDED RESIDENTIAL RATE CALCULATION, case number 23-1682-TF. Although the case investigated Vermont Electric Coop's blended residential calculations, the order appears to apply to all net metering tariff revisions going forward. An important excerpt from Section III Discussion follows:

“VEC argues that it interprets Section 226(b) to apply to its general rate schedules, which include six classes or divisions of ratepayers whose rates are set based on Commission-approved rate-design tariffs. VEC contends that it has other rates, such as its line-extension tariff, that are justified separately outside the rate-design process used for general rate schedules. According to VEC, the net-metering tariff “is the product of a completely different rate process set forth in 30 V.S.A. Section 8010” and does not apply to “classes of ratepayers” that are subject to Section 226(b).

VEC argues that it has calculated its blended rate using the methodology required by Rule 5.127(a)(2) (i.e., “adding together all of the revenues to the company during the most recent calendar year from kWh sold under those block rates and dividing the sum by the total kWh sold by the company at those rates during the same year”). VEC states that requiring a different calculation would be inconsistent with the rule and would impose a significant administrative burden on VEC to adjust customer accounts.

The Department agrees that 30 V.S.A. § 8010(c)(2)(F) gives the Commission broad authority in setting the value of credits for net-metering production. The Department argues that the Commission has not established an identical percentage increase methodology for calculating the blended rate nor provided that net-metering customers constitute a distinct “class or division of ratepayers under rate design tariffs” that are subject to 30 V.S.A. § 226(b).”

It is clear from this decision that revisions to fixed costs found in an electric company's net metering tariff must also be done through a tariff case filed independent of a general rate schedule case revision, the same as an electric company's net metering blended residential rate revision. Section 5.128 (or another section of the rule as appropriate) should be revised to include this important decision. This addition to Rule 5.100 will insure consistency in net metering fixed costs rate review with a separate PUC/DPS investigation and applicable public comments focused on net metering fixed costs only, which would insure any revision to net metering fixed costs are just and reasonable, and would eliminate the inconsistency in filing for revisions to net metering fixed costs which is now occurring. Some electric

companies currently include net metering fixed costs in general rate case filings (some with proposed increases of 14% or higher), while others file separate tariff filings to address only net metering fixed costs.

2. Rule 5.103 – Delete part (3) in 5.103 “Blended Residential Rate”. Also delete same as needed in 5.127(A), and 5.128(A)(3).

From page 6 and 7 of 24 of “Explanation of the Vermont Public Utility Commission’s reasons for accepting or rejecting requested changes to the original proposed rule” filed with LCAR on 11/27/2023:

“Rule 5.103 – Definition of Blended Residential Rate

Summary of Proposed Rule

Rule 5.103 defines how the utilities must calculate the “blended residential rate.” The Commission has not proposed any changes to this definition.

Comments

Steve Bushman

Mr. Bushman recommends that the definition of “Blended Residential Rate” be amended to delete the reference to a statewide blended residential rate. According to Mr. Bushman, allowing electric companies to use a lower weighted statewide average is inequitable to those net-metering customers subject to it, because their monetized excess credit can be used to offset a smaller percentage of their energy bill. Mr. Bushman argues that “[m]ost net metering rate payers get full (or close to it) blended residential rates.” Mr. Bushman asserts that this inequity will make it harder for low and moderate income Vermonters to invest in net metering due to higher energy bills and increased payback periods and, therefore, is contrary to the requirements of the Affordable Heat Act recently passed.

[DPS]Response

The Commission adopted the present definition of blended residential rate to ensure greater equity among net-metering customers and to ensure that the cost of net metered power was not excessive in the service territories of utilities with above-average retail rates. Mr. Bushman has not demonstrated that allowing customers to offset a similar percentage of their bill is more equitable than giving customers equal credit for their excess generation.

The issue with retail-rate net-metering is that the cost of net-metered generation can become untethered from the value it provides to the system. The statewide blended residential rate acts as a cap to ensure that the costs of net-metered power do not become too great in the service territories of companies with high retail rates. Mr. Bushman’s proposal to eliminate the statewide average rate does not address the additional cost to ratepayers of increasing the amount of compensation for net-metering customers, and the Commission declines to make this change because those additional costs are unjustified.”

From page 15 of 24 of “Explanation of the Vermont Public Utility Commission’s reasons for accepting or rejecting requested changes to the original proposed rule:”

“VEC is correct that the use of the previous year’s sales and revenues to calculate the blended residential rate does not result in a significant adjustment to a utility’s blended residential rate because the

recalculation is performed at the time a utility files a rate increase and, therefore, the increased revenues are not reflected in the calculation. Accordingly, we agree with VEC that the current procedure is not useful and that utilities with inclining block rates should update their blended residential rates at the next biennial update, as opposed to at the time they file a rate request.

This change will result in similar treatment among customers across all service territories. Most net-metering customers are subject to the statewide average blended residential rate. [underline added] The statewide average is only recalculated as part of the biennial update and not at the time individual utilities request rate increases. Under VEC's proposal, the relatively small number of customers who are subject to utility-specific inclining block rates will see their blended residential rates recalculated with the same frequency as most other customers in the state."

Bushman Response:

It's important to note that my original 8/17/2023 comment on this included additional rationale as to why the weighted statewide average rate was no longer needed. However, I would like to respond to the items excerpted from the "Explanation of the Vermont Public Utility Commission's reasons for accepting or rejecting requested changes to the original proposed rule" shown above.

First, on page 15 of 24 it is stated that "This change will result in similar treatment among customers across all service territories. Most net-metering customers are subject to the statewide average blended residential rate. The statewide average is only recalculated as part of the biennial update and not at the time individual utilities request rate increases. Under VEC's proposal, the relatively small number of customers who are subject to utility-specific inclining block rates will see their blended residential rates recalculated with the same frequency as most other customers in the state."

It's very important to point out that according to current net metering tariffs posted on individual electric company websites (effective 9/1/2022 or later), only one uses the weighted statewide average (by definition, an electric company uses the weighted statewide average when it is lower than their calculated blended residential rate). The majority of net metering customers are subject to their electric company's blended residential rate, not the weighted statewide average. While the proposed rule change does mean all net metering customers subject to utility-specific inclining block rates will have the blended rate recalculated at the same frequency, the negative economic impact will affect the vast majority of net metering customers, since they will not see any increase to their net metering blended residential rate for at least two years. The negative gap between the net metering customers' excess generation rate and the utilities' real time blended residential rate will widen during the two year biennial period if the electric company files for a rate increase.

Second, on page 7 of 24, DPS asserts "The statewide blended residential rate acts as a cap to ensure that the costs of net-metered power do not become too great in the service territories of companies with high retail rates. Mr. Bushman's proposal to eliminate the statewide average rate does not address the additional cost to ratepayers of increasing the amount of compensation for net-metering customers, and the Commission declines to make this change because those additional costs are unjustified."

Again, it needs to be pointed out that only one electric company uses the weighted statewide average. The difference between the weighted statewide average and this electric company's blended residential rate is somewhere between \$-0.04/kWh and \$-0.06/kWh (DPS should have access to the calculations from the 2022 biennial update). The obvious question is why are the net metering customers in this electric company's service area being penalized because their blended residential rate is higher than the weighted statewide average due to high retail rates? Also, because the remaining electric companies

cannot take advantage of the same excess generation rate differential, they have to cost shift all of their excess generation monetized credits to all rate payers, whereas the electric company that can use the statewide average has to cost shift less than the full amount of the excess generation monetized credits to their rate payers, only because their net metering customers subsidize the excess generation credits by receiving a substantially smaller percentage of the true blended residential rate than other electric companies. The only way to treat excess generation monetized credits equitably for all net metering customers is to eliminate the weighted statewide average rate or make downward adjustment to all electric companies' blended residential rates during the biennial update to equalize the cost shift required of all electric companies. Obviously the most practical way is to eliminate the statewide blended residential rate.

If LCAR is hesitant to require the deletion of the weighted statewide average at this time, it is recommended that they require PUC to open an investigation into the validity of the weighted statewide average use to determine the monetized excess generation credit, based on the numerous changes to rates and credits required by this rule and the biennial updates that have occurred since the current rule went into effect on January 1, 2017.

3. Section 5.128(G) (see pages 16 through 18 of 24 in "Explanation of the Vermont Public Utility Commission's reasons for accepting or rejecting requested changes to the original proposed rule.")

Change may to must in the first line.

Rational: Section 5.128(A) states the Commission must conduct a biennial update in 2024 and every two years thereafter to update the items in (1) through (4). Proposed Item (3) includes the electric companies' blended residential rates. Subsections (B) and (C) also state the Commission must consider adjustors. In accordance with 5.128(D) each electric company must submit their updated blended residential rate and supporting calculations on or before March1 of each even-numbered year.

5.128(G) currently reads: "(G) By May 1 of each even-numbered year, the Commission may [underline added] by order update the items specified in Section 5.128(A)(1)-(4), as necessary..." Since 5.128(A)(1)-(4) now includes the electric companies' blended residential rates and the statewide blended residential rate, it will always be necessary to update the biennial order. Even if the adjustor values don't change the effective dates will since the biennial update is only valid for two years. Therefore all the items in 5.128(A)(1)-(4) must be updated to insure utilities revise their net-metering tariff in accordance with 5.128(H), therefore may should be replaced with must in 5.128(G).