



House Energy & Digital Infrastructure Committee Testimony
Mike McCarthy, President, SunCommon

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Thank you Madam Chair and members of the committee for hearing my testimony this morning. My name is Mike McCarthy and I am the President of SunCommon, a Waterbury-based solar and battery storage installer serving Vermont and New York's Hudson Valley. I'm here today to provide some thoughts on the potential impact of the Public Service Department's proposals before the Public Utility Commission regarding the future of net-metering at the upcoming biennial review.

The Vermont solar industry is facing threats from federal policy changes, including tariffs which have increased equipment costs and the OBBBA's sudden elimination of the tax credits that supported residential solar last year. The state has already been putting downward pressure on our industry, and we have been seeing a decline in the deployment of solar in the state for several years as the value per kWh had been decreased with negative rate adjusters for new projects during the previous biennial reviews. State policy has throttled the deployment of renewable energy in our state, and with the federal government removing the largest incentive for solar from homeowners just a few months ago, any further disincentive at the state level will be the equivalent of kicking those of us who provide renewable energy to Vermonters when we are just picking ourselves up off the mat. We in the solar business have been punched hard, but we haven't been knocked out, at least not yet.

The idea of freezing the statewide blended rate would be a radical departure from past practice, including the Department's own guidance to Vermonters considering solar net-metering. In previous biennial rate reviews, all stakeholders have relied upon the law and Rule 5.100 assuming that the statewide blended rate would go up as utility rates go up for all projects. Rate adjusters create a rational system of incentives and disincentives for new net-metered projects based on key factors like system size and type. The statewide blended rate rising with inflation in utility prices is a bedrock component of the investment that thousands of Vermonters have made in solar. Any proposal to have the statewide blended rate freeze when solar homeowners, Vermont schools and many community arrays rely on them to rise based on this predictable past practice undermines the trust Vermonters had that the value of their solar would be tied to rises in statewide utility rates.

The proposal to further reduce the negative adjusters for new projects is also problematic. Currently every kWh produced by a new solar project is reduced by 4 cents, and the PSD proposes to reduce this by another 2 cents for a total negative siting adjuster of 6 cents per kWh for most projects. Given the reduction in demand for solar following the elimination of the residential tax credits and complexity in other aspects of the business created by the OBBBA, installers across the country are scrambling to see if leases will work for customers. Leases

often aren't attractive to homeowners, and the value of these products is complicated in Vermont because of the negative adjusters. We are piloting some innovative strategies, including prepaid leases and lower margin cash packages to try to offer solar that makes financial sense to homeowners in a post-tax credit world. This is not the time to introduce more uncertainty and disincentives for solar. If the main goal of the negative adjusters is to throttle deployment such that net-metered solar is deployed at a reasonable rate, we're already expecting a 20-30% decline in installations year over year even with a typical biennial rate review. Where is the urgency to further disincentivize net-metering with a radical change in policy?

The Department's proposal also contemplates imagining a new net-metering future through rule-making, a "Net Metering 3.0". I actually agree with the idea that we should begin a robust conversation about the true value of solar and storage for Vermont. We do need to update the system of incentives and disincentives to continue on the path to a cleaner, more affordable and more sustainable future. Given the new battery technologies available, I'm excited for more of our solar projects to include storage, smart panels and other upgrades. I'd like to consider incentivizing dual-use solar that costs more to implement like parking canopies as they do in some other states. I agree with comments Department officials have made in the past about the need to value behind the meter usage and storage like efficiency, perhaps coupled with a lower compensation rate for power that is exported to the grid. To do this well, and with the full contemplation of the value of solar and storage I believe we need the legislature to work with stakeholders on Net Metering 3.0 in the next legislative session. Given the volatility in our industry today, forgoing the 2026 biennial rate review to make these bigger changes through rule-making now would be a lot more change and uncertainty than we can withstand.

As I said when I was before this committee in support of H.716, I recommend that all policy-makers put a pause on any consideration of reducing the effective value per kWh of net-metered solar. I am hoping the Public Utility Commission will allow us to get off the mat, dust ourselves off and then participate in a thoughtful consideration of the future of net-metering in 2027-2028 and allow the 2026 biennial rate review to include the increase to the statewide blended rate that Vermonters expect.

We often call the regulatory and market challenges in our business the "solar-coaster" and we're in the middle of an already wild ride as of Jan. 1 due to the OBBBA. We want to make sure we are helping build renewable energy solutions that work for Vermonters in a regulatory environment that is predictable, and fair to our customers and all rate-payers. I'm excited to get through this difficult period and be a part of discussions in the next couple of years about improvements to net-metering that encourage more storage, timely export, and end the negative adjusters on behind the meter consumption. Radical changes to the biennial rate review are not needed today. If anything, I would hope that Vermont would help make up for the lost support for clean energy in the wake of last year's disastrous federal abandonment of support for our industry. We hope the biennial rate review will allow a path for us to continue employing all of the electricians, installers and other professionals that are doing great work helping Vermonters with renewable energy solutions that benefit all of us.