



May 12, 2016

Judith C. Whitney, Clerk of the Board
Vermont Public Service Board
112 State Street
Montpelier, VT
05620-2701

Re: Proposed Rule 5.100

Dear Clerk Whitney,

On April 6, 2016, the Vermont Public Service Board (“Board”) released a proposal that would amend net metering/rule 5.100 (“Proposal”). The Board included directions for submitting comments on the Proposal, including a comment deadline of May 12, 2016. Please accept these comments on behalf of Vote Solar. Vote Solar has participated in the processes leading to the Proposal and appreciates the opportunity to provide the Board with input on the future of solar policy in Vermont pursuant to Act 99 of 2014 (“Act 99”).

Vote Solar is a non-profit grassroots organization working to foster economic opportunity, promote energy independence and address climate change by making solar a mainstream energy resource across the United States. Since 2002, Vote Solar has engaged at the state, local and federal levels to remove regulatory barriers and implement the key policies needed to bring solar to scale. Vote Solar is not a trade group and does not have corporate members. Vote Solar is particularly focused on rate design issues related to solar distributed generation, including the billing arrangement known as net metering. Recognizing the importance of this policy for supporting customer-sited solar and other renewables energy technologies, Vote Solar is actively participating in net metering and broader rate design regulatory proceedings in states across the U.S, including: Arizona, California, Colorado, Georgia, Iowa, Kansas, Louisiana, Massachusetts, Minnesota, Nevada, New Mexico, New York, North Carolina, Utah, among others.

INTRODUCTION

Vote Solar appreciates the opportunity to comment on the Proposal. Vote Solar is also very thankful for all of the hard work of the Board, the staff of the Board (“Staff”), and all of the interested parties that have dedicated valuable time to work on the future of net metering in Vermont. We applaud the work of the Board and Staff on the hard work that clearly went into the Proposal. Net metering has been a very successful policy in Vermont, and Vote Solar thinks the Proposal overall is



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recognition of the many positive aspects of net metering.

Nonetheless, Vote Solar does have some recommendations and observations on the Proposal. Vote Solar provides comments in the following areas: (1) grandfathering; (2) group net metering; (3) total compensation for net metering customers; (4) duration of eligibility for the net metering credit calculation; (5) treatment of environmental attributes; (6) siting adders; (7) grid service fee; and (8) administrative fee.

GRANDFATHERING

Section 5.103(B) provides for grandfathering of systems installed prior to January 1, 2017 for a period of 20 years from the date of commissioning. Vote Solar supports grandfathering. As we stated in our January 13, 2016 comments at 10, “Vote Solar recommends that the Board consider the terms of existing contracts when deliberating the appropriate grandfathering duration. Nonetheless, Vote Solar expects that grandfathering in the range of 25 years is appropriate. Both current and potential future customers should have reasonable confidence about the policies that impact the economics of their long-term investment.”

Vote Solar is very pleased that the Board increased the grandfathering term from 10 years to 20 years. Although the term of 20 years is less than the life expectancy of most photovoltaic (“PV”) equipment, 20 years should be long enough to provide sufficient certainty for most customers. Nonetheless, Vote Solar views 20 years as a minimally appropriate time frame for grandfathering.

Recommendation

Vote Solar recommends that 20 years is the minimally appropriate time frame for grandfathering.

GROUP NET METERING

Group net metering is a highly equitable program that allows all customers to avail themselves of the benefits of solar regardless of their living situation (*e.g.* renters, and condominium owners), financial situation (*e.g.* the ability to pay for the upfront costs of solar), or location (*e.g.* shaded roof). Vote Solar is very pleased that the Board has eliminated the previously-proposed 10 mile eligibility requirement for participants in group net metering projects. Vote Solar strongly encourages the Board to expand access to solar for all customers, including continued removal of barriers to group net metering.



Recommendation

Vote Solar recommends that the Board continue to remove barriers to the access of solar by all customers, including through group net metering.

COMPENSATION FOR NET METERING CUSTOMERS

Total Compensation

In the Proposal, Staff proposes that the calculation of net metering credits should be at the retail rate (Proposal at Section 5.104(A)(3)(a)(i)). In our January 13, 2016 comments at 4, Vote Solar recommended that “the Board (1) rely heavily on data when considering and developing program rules, and (2) if the Board is going to change the compensation for net metering customers, the change should include a transition plan to the new rules.” Vote Solar again reiterates these recommendations for the Board.

Consistent with our previous comments, Vote Solar recommends that the Board “simultaneously share the benefits of net metering while still sending a price signal that will motivate customers to install net metering systems” (Vote Solar January 13 comments at 3). Vote Solar continues to be concerned about the dramatic shift from the current compensation levels¹ to the proposed compensation levels. Instead of a sudden shift from the current compensation to the proposed compensation, the Board should implement a transition plan. As we proposed previously, “[t]he step-down program would decrease from the current model to the proposed model over predetermined intervals. The intervals could be periods of time (*e.g.* every six months), or installed capacity (*e.g.* every 20 megawatts).” (Vote Solar January 13 comments at 3). A transition program would provide the solar market – including potential future customers – with transparency and predictability while also avoiding a collapse or significant contraction of the distributed generation (“DG”) market in Vermont.

Recommendation

Vote Solar recommends that if the Board is going to change the compensation for net metering customers, the change should include a transition plan to the new rules.

¹ \$0.20/kilowatt-hour (“kWh”) for solar net metering systems equal to or less than 15 kilowatts (“kW”), and \$0.19/kWh for all other systems.



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Duration of eligibility for the net metering credit calculation

As drafted, the Proposal requires net metered credits to be calculated at the applicable blended residential rate “for the first 20 years after the system is commissioned” (Proposal at Section 5.104(A)(3)(a)(i)). The Proposal does not, however, specify what the net metered credits will be calculated at after 20 years.

First, Vote Solar recommends that the net metered credits be calculated in the same manner for the life of the system. Net metering is not an incentive. Instead, net metering is appropriate compensation for the benefits that these systems provide to Vermont and all of society. The net metered credit calculation should thereby remain consistent over the life of the project.

Nonetheless, if the Board does intend to change net metered credit calculation after 20 years, the Board must specify what the net metered credit calculation will be after 20 years. Currently, customers have no indication what the compensation for net excess generation will be for the life of the project. As a result, the solar market and customers will have to assume the worst, and plan on no net metered credits after 20 years.

Recommendation

Vote Solar recommends that the Board should clarify that the net metering credit calculation is for the life of the project. This recommendation will provide transparency and predictability to solar installers and potential solar customers.

Treatment of Environmental Attributes

In the Proposal, customers have the choice of retaining the tradeable renewable energy credits (“RECs”), or transferring them to the electric company (Proposal at Section 5.105(B)(1)). If the customer elects to transfer the RECs to the electric company, the customer is proposed to be credited for the RECs at \$0.03/kWh (Proposal at Section 5.105(B)(3)). If the customer elects to retain the RECs, the customer is proposed to be charged for the RECs at \$0.03/kWh; stated another way, if the customer elects to retain the RECs, there is a negative credit of **(\$0.03/kWh)** (Proposal at Section 5.105(B)(3)). The end result is that RECs are valued at \$0.06/kWh. Furthermore, the positive REC adder remains in place for 10 years, but the negative adder does not expire.

Unfortunately, the Proposal outlines a punitive structure for customers that retain the RECs that they create. First, the adder structure creates the impression that customers pay a penalty for keeping their RECs. Second, the Proposal penalizes environmentally-minded customer action via the different durations of the adders.



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Vote Solar notes that RECs are a commodity that result from the action of the customer. The renewable energy standard sets a minimum requirement for compliance by the retail electric suppliers, not a ceiling. If customers don't want to transfer their RECs to the utility (and thereby require the utility to obtain RECs elsewhere to meet their obligation), that should be their choice. If the Board creates a system which penalizes customers for retaining their RECs (and the different duration of the adders absolutely does this), the Board is creating a *de facto* ceiling on the amount of RECs by penalizing the use of in-state RECs for anything but compliance. The unintended consequence of such an approach is that customers are financially motivated to help the utilities to meet their compliance obligation, even if the customer has environmental motivations. The Board is, by default, removing the environmental motivation² for installing DG by providing different compensation to customers that retain their RECs.

The end result is that the Board is proposing to limit customer choice. Customers should not be penalized for choosing to retain their RECs. If a customer wants to reduce their environmental impact by generating and using clean electricity that should be the customer's choice.

Recommendation

Vote Solar recommends that the Board treat all DG customers equally. First, Vote Solar recommends that the Board determine the credit calculation for net metering, and only include an adder if the customer elects to transfer their RECs to the utility. Second, if the Board elects to keep the positive/negative adder approach, the duration of *both* of the adders should be for the life of the project.

Siting Adders

As currently drafted, the siting adders included in the Proposal are not based on any analyses of costs and/or benefits. Vote Solar fears that the currently-proposed siting adders unnecessarily expose the Proposal to appeal on the basis that they are arbitrary and capricious. Instead of codifying the adders in the rule, an alternative approach is to include place-holders for the adders pursuant to subsequent analyses, such as a separate proceeding. Furthermore, the subsequent analyses could be updated in the future at regular intervals, as determined by the Board.

² At the very least, the Board is penalizing environmentally-conscious customers.



Recommendation

Vote Solar recommends that the Board reserve determination of the siting adder values until such time as the Board has a chance to investigate, analyze, and determine the appropriate levels based on data. This approach would provide the Board an opportunity to determine the appropriate level of the adders in a separate proceeding now and into the future.

FEES

Grid Service Fee for Net Metering Systems

The Proposal eliminates the grid service fee that was included in previous drafts. Vote Solar is very supportive of the elimination of the grid service fee. The grid service fee provision is not necessary. The electric companies are currently free to propose such a fee if they so desire. The provision does not enable any electric company action that doesn't currently exist. As such, this provision is currently superfluous.

If the electric companies so choose, they should propose a grid service fee in their next rate case. Vote Solar notes that such a proposal should only be made in a rate case in order to avoid single issue ratemaking. Obviously, if the electric companies take this approach, they will have to substantiate the need for such a fee in their filings. The burden of proof should continue to lie with the electric companies that a grid service fee is necessary and appropriate. Vote Solar strongly supports the elimination of the grid service fee and any presumptive decision that a grid service fee is necessary and appropriate.

Recommendation

Vote Solar strongly encourages the Board to maintain the removal of the grid service fee from the rule.

Administrative Fee for Net Metering Systems

The Proposal provides broad discretion to the electric companies to implement charges specifically as a result of net metering. Sections 5.109(A)(3) states that electric companies:

- (5) May charge a reasonable fee for establishment, special meter reading, accounting, account correction, and account maintenance for a net-metering system.



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As with the grid service fee, Vote Solar notes that this provision is not necessary. The electric companies are currently free to propose such a fee if they so desire. As such, Vote Solar recommends that this provision be deleted.

Nonetheless, Vote Solar is concerned about the implementation of this provision. The Board should hold the electric companies to the same burden of proof for this fee as they would for any other rate proposal in a rate case. The Board must also be very diligent in reviewing any proposals that result from this clause in order to prohibit: (1) double-recovery of administrative costs; or (2) over-collection of administrative costs from net metering customers. In order to alleviate these concerns, the Board should clarify that any such proposals must be made in a rate case.

First, the Board should ensure that the electric companies don't collect the administrative fee on top of the current cost recovery for administrative costs. The electric companies are already collecting funds from ratepayers that cover administration costs. Unless double-recovery is prohibited, the provision could allow for the electric companies to collect their current funds for administration *and* the administrative fee for net metering customers. Such an outcome would clearly result in the collection of costs *twice* for some of the same services, and therefore inappropriately collect funds from ratepayers.

Second, even if the Board prohibits double-recovery of costs, the current provision doesn't require electric companies to demonstrate that the costs to serve net metering customers identified in the sub-section are different from non-net metering customers. The electric companies already collect revenue to account for these activities in existing rates. The electric companies should be required to quantitatively demonstrate that the costs are different and require a separate fee. Without such a demonstration, the Board may allow the electric companies to itemize an unnecessary expense (*i.e.* line-item in the customer billing system) that doesn't represent a difference in the administrative costs of customers. For instance, if the electric companies are allowed to separately charge administrative costs (for instance, through a customer charge) for both net metering customers and non-net metering customers, then the electric companies may create the illusion of different costs, even if no difference exists. Furthermore, the creation of a different line-item in the customer billing system is an expense. The Board should make sure that the difference – if a difference even exists – is greater than the costs to implement the administrative fee. Failure to do so would create unnecessary expenses for ratepayers.

As Vote Solar stated in previous comments, “without a clear demonstration that net metering customers are significantly different from other customers in the same



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rate class, any different treatment of the net metering customers is unduly discriminatory” (Vote Solar January 13 comments at 9).

Recommendation

Vote Solar recommends that Sections 5.109(A)(3) of the Proposal be eliminated at this time. Nonetheless, if the Board decides to keep this provision, the electric companies should be held to the same burden of proof as any other rate proposal. Furthermore, the Board should ensure that any proposed administrative fee prohibits: (1) double-recovery of administrative costs; and (2) over-collection of administrative costs from net metering customers.

CONCLUSION

Once again, Vote Solar applauds the hard work of the Board and Staff. With the goal of improving the Proposal, Vote Solar hopes that the Board will consider the recommendations included in these comments. Specifically, Vote Solar recommends that the Board:

- Maintain, at a minimum, 20 years for grandfathering;
- Continue to remove barriers to the access of solar by all customers, including through group net metering;
- Consider a transition plan from the current net metering compensation framework to the proposed net metering compensation framework;
- Should clarify that the net metering credit calculation is for the life of the project;
- Treat all DG customers equally;
- Only include a REC adder if the customer elects to transfer their RECs to the utility (*e.g.* remove the negative adder);
- Implement project lifetime durations for the REC adders;
- Reserve determination of the siting adder values until such time as the Board has a chance to investigate, analyze, and determine the appropriate levels based on data;
- Maintain the removal of the grid service fee; and
- Eliminate section 5.109(A)(3) of the Proposal.

Vote Solar looks forward to the continued growth of solar in Vermont. The recommendations contained herein should help facilitate the growth of solar in Vermont for the benefit of all Vermonters.



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Vote Solar appreciates the opportunity to submit comments on the Proposal. Thank you for your time.

Sincerely,

Nathan Phelps

A handwritten signature in black ink, appearing to read 'Nathan Phelps'.

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