

129 Bellevue Ave.  
Rutland, VT 05701  
February 5, 2016

Re: Comments on Draft Report, Prepared by Public Service Department, In Response to Act 56

My comments are informed from a career that included electric rate design and 26 years working for CVPS and GMP. In my CVPS work, I obtained relevant information on the PSD from colleagues who performed rate case and other filings before the PSB. Since retirement in 2013 I have testified three times at the statehouse on renewable energy matters, worked for the town of New Haven as an intervenor involving two solar energy projects and worked with environmental advocacy organizations such as Vermonters for a Clean Environment.

1. The report states on page 2 that a staff attorney conducted interviews with 25 experts. The list of experts interviewed is listed in Appendix C, but no information as to employer, title or relevant experience is given.

a. Please provide employer, title or relevant experience for each

b. Please provide transcript or meeting notes for each

c. Appendix C lists 29 people. Is 25 an error and 29 were interviewed? If not, please state who was not interviewed.

2. The report states on page 4 that:

“...that a multitude of unverifiable factors would frustrate any attempt to make direct quantitative comparisons between ratepayer advocacy offices, or to conclude that one structure inherently leads to better outcomes than another...”

I do not agree with that statement. There are data available by state and utility such as allowed return on equity, actual allowed rate increases vs. requested rate increases, number of employees in ratepayer and public advocate offices, etc. This data could be used to make comparisons.

3. The report states later on page 4 that:

“The structure of the ratepayer advocacy function in Vermont may be one of the more unusual, and we would argue- most beneficial to the public- of the various structures found in the 42 states that authorize such advocacy offices.”

I find this statement very self-serving and not substantiated in the report. On the other hand, one would expect that the PSD would defend itself in a report it wrote. I would ask that the Report be redone by an independent third party, not only due to this preposterous statement, but for other deficiencies.

4. The report states on page 6:

“Given the unique combination of functions and subject matter experts housed within the PSD, these other divisions within the Department contribute synergistically to the effectiveness of the ratepayer advocacy function, but it can also lead to the appearance of potential conflicts between the purposes of those other functions and the ratepayer advocacy function. However, based on our experience and discussions with the many experts who provided input for this Report, we do not find that the current structure of the Department creates any real or inherent conflicts of interest. In fact, a widely held view among experts is that it is appropriate that the public advocacy division take positions that are consistent with longer-term Department policies found in its long-term planning documents and other established state policies designated for supervision and implementation by the Department.”

First, please state the names of the experts that provided input for the Report that lead to this statement.

Second, I provide the following comments on the above PSD statement:

It appears from this and other statements that the Report authors believe that the “ratepayer advocate” function is often inconsistent with the “public advocate” function. This is precisely the problem I see with the PSD structure, particularly in that Vermont has taken on the ambitious role of being a nationwide leader in local renewable energy development. There are certainly conflicts between those who promote rapid in state renewable energy development and ratepayer advocates arguing for lower rate increases. Also, there are conflicts even within the public advocate, between those who wish to preserve Vermont’s land from development and those who want to use that land for generating renewable energy.

Many of my critical comments regarding the PSD are the result of its dual role as advocate for both the ratepayer and the public. I would suggest that the ratepayer advocate function be made separate. That would allow healthy debate needed to resolve conflicts of a public advocate that wishes to move aggressively on renewable energy development and the ratepayer advocate that wants to keep rates low.

The PSD in recent years has acted as a proponent of renewable energy, not for lower rates. The PSD October, 2014 net metering report used unrealistic, overly optimistic assumptions to show that solar net metering was cost effective, when it isn’t. I have provided comments to the PSD to this effect. I suggested in my 2015 legislative session committee testimony that Vermont is moving too fast with net metered solar development. The recent GMP filing and my recent discussions with GMP officials lead me to believe that GMP recognizes that limits need to be placed on future net metered generation, particularly solar.

In my opinion, the PSD should have seen this net metering problem occurring back in 2014. Instead, the PSD Commissioner would continue making statements that net metering reduces rates. The large (over 150 kW) remote net metering projects provide most of the growth in net metered solar generation. These projects range from 150 to 500 kW. They are sometimes sited close to each other, and there is no major difference between these projects and the larger 1,000 to 2,200 kW Standard Offer or GMP owned projects. Vermont ratepayers pay 19 to 20 cents/kWh for the large remote net metered projects compared to 10 to 14 cents for the Standard Offer or GMP owned projects. This is clearly a case where an advocate for the ratepayer would argue for development of the latter type projects. It’s simple logic that to meet a certain goal for solar energy, one selects the lowest cost solar projects.

Net metering results in a cross subsidy. Costs are shifted from participating customers with solar generation to non-participating customers. A separate ratepayer advocate would have quantified this subsidy and argued to dampen the growth of net metered renewable capacity. A sensible alternative is to not allow the large remote net metered projects. These projects also have other disadvantages, such as increasing electric system losses and undesirable site impacts compared to rooftop mounting.

This raises the issue of political influence. Governor Shumlin is outspoken advocate for in state renewable energy. The large growth in numerous large remote net metered solar projects is due in large part to Shumlin's advocacy. However, this large growth cannot continue and there are concerns that solar firm workers recently hired to build the recent surge in solar projects will have to be laid off. More jobs from solar was a political carrot dangled in front of voters. However, there was not separate ratepayer advocate to provide the counterargument of higher rates from greater net metered solar capacity.

The PSD failed to adequately analyze the diminishing returns from solar capacity growth. Solar capacity additions have moved the electric grid peak to later in the day, when solar generation is much lower or zero. Thus infrastructure benefits, which were substantial for the first batch of solar projects, are much lower for the succeeding batches of projects. Another diminishing return phenomenon is that after a certain threshold the grid interconnection costs become substantial.

That the PSD failed to raise any flags concerning the rapid growth in net metered solar energy in Vermont is a sign to me of the impact of political influence on the PSD. Also, it is notable that Vermont borders Quebec and has a history of purchasing renewable energy from Hydro Quebec. That the Canadian renewable energy purchase option has not been adequately pursued is another sign of the impact of political influence. PSD staff is well aware of the limitations of net metered solar energy. The problem is not ignorance; it's politics.

Thus, I recommend that the ratepayer advocate function be a separate entity.

5. The report states on page 17 that:

“The most common critique of the Department's public advocacy function was that its positions sometimes appear to be politically determined. That common view presupposes that the public advocacy function in Vermont should be carried out in a manner that is more independent of the Department Commissioner and the Governor who appoints him or her, or that the political position taken is NOT, by definition, in the public interest.”

I disagree. First, my recollection is that Shumlin did not get elected by a majority. Second, there needs to be public protection for decisions made by elected governors, because sometime those decisions are clearly not in the public interest. The huge cost overruns by contractors working to upgrade Vermont's health care system as a result of Shumlin's policy, is an example. The public can elect a governor who promise benefits from health care and energy policy reforms, where cost impacts are not fully understood. An independent ratepayer advocate would provide some protection from political positions that first appeared to be in the public interest, but turn out to be not in the ratepayer interest.

Another example of political influence is the PSD treatment of Vermont Gas System's proposed pipeline expansion. Shumlin supported the pipeline. From my experience, cost overruns of the magnitude experience by VGS would have resulted in a larger disallowance in other states than imposed by the PSD. I remember huge cost disallowances for utilities in other states that exceeded their cost estimates for power plants.

The PSD did not pursue a potentially viable alternative to the gas pipeline. Compressed and liquefied natural gas is currently being trucked to large heating oil users in Middlebury, Rutland and other locations. Outside of Burlington, there is not a large metropolitan area and large industry in Vermont with sufficiently large natural gas consumption to justify the high pipeline costs.

That trucking of natural gas is being done in Vermont is proof that it is economically viable as an alternative to burning oil. The total delivered cost of trucking natural gas can be lower than the total such

cost for the new gas pipeline, considering the very high capital cost for both the pipeline, the distribution network and hookup lines to each consumer. Also, gas consumers collectively have a large capital cost to convert oil burning equipment to burn natural gas. Thus, it takes many years for fuel cost savings to compensate for the very high cost of converting to gas.

Another utility close to Vermont Gas has announced on 12/10/2015 that it will promote trucked natural gas instead of building new pipelines. (<http://xng.com/news-room/n-y-utility-chooses-virtual-cng-pipeline-to-expand-service/>) NYSEG, a utility company in New York has opened a new compressed natural gas facility that enables it to increase the supply of natural gas available to its customers via a “virtual pipeline.”

A politically influence PSD would support the new pipeline, because that’s what their boss wants. A separate ratepayer advocate would have investigated the alternative of trucked natural gas.

6. The PSD prepares Memorandums of Understanding in secret, with no public input. In the recent litigated rate case for GMP, I obtained information that indicated that detailed analysis of cost disallowances was not considered. The Commissioner apparently unilaterally decided on a rate reduction level that could have been greater. In other words, the final rates could have been lower, yet we don’t know how much, or why. Likewise, there were questions with the MOU for the VGS pipeline case. The Report does not address this concern.

7. The PSD appears too cozy with utilities. This is an opinion that other commenters share with me. For example, I’ve heard that GMP and the PSD meet weekly. Also, in one of the PSB solar project proceeding in which I testified, evidence was provided in discovery that the PSD staff reviewed GMP testimony before it was submitted in that proceeding. That type of behavior appears cozy to me. The PSD and utilities should act more as competitors than as two parts of the same entity. Weekly meetings between CVPS and the PSD are not something I recall.

8. My comments need to be considered in the context of the aggressive renewable policy mandates imposed by the Legislature. The ambitious renewable energy targets impose a large burden on the PSD. Meeting these goals will require a massive, complex change in Vermont’s electric power system. This requires considerable planning and analysis, which in turn requires considerable time and human resources. The cost impacts are not fully known. There are many decisions to make: e.g. Canadian hydro vs. in state solar, future of Renewable Energy Credits, options for reducing transportation emissions. This is a daunting task for a small state like Vermont.

The PSD has other important work. Telecommunications technology is changing, which leads to more alternatives to study. Vermont Yankee’s retirement created ongoing work associated with decommissioning. Statewide smart meter implementation, the CVPS/GMP merger and the VGS pipeline expansion are other recent unique, one time major projects.

The Legislature should consider the renewable policy burden both on the PSD and on the PSB in processing a multitude of renewable projects. Vermont’s policies single handedly will not save the planet. Perhaps the Legislature should reconsider its current renewable energy goals.

Bob Amelang