NEEP ISSUE BRIEF- VERMONT PSB DOCKET 8550 FINAL ORDER- JUNE 28, 2016

Background on **ACT 56**, further examined in **Docket 8550**

1. **Tier I** - Requires Distribution Utilities (DUs) to retire renewable energy credits (RECs) in-state in satisfaction of their share of the state’s renewable portfolio requirements of 55% by 2017 and 75% by 2032.

2. **Tier II** - Sets targets for new distributed generation (DG) at 1% of sales in 2017, rising incrementally to 10% by 2032. New DG satisfying tier II in excess of the prescribed portfolio can also count toward satisfaction of Tier III.

3. **Tier III** - Sets targets for fossil fuel consumption reductions by distribution utilities at 2% of retail sales in 2017, rising incrementally to 12% of retail sales in 2032, with requirements for small municipal utilities differing slightly. Like energy efficiency measures, **Energy Transformation Projects** will be screened for lifecycle cost-effectiveness under the societal cost test and against an alternative compliance payment of $0.06/Kwh, adjusted for inflation.

**Final Order - TIERS I & II**

1. **Objections From Interim Order**
   - Board’s 8550 processes thus far are clearly within their statutory authority

2. **Eligibility of Energy from Hydro-Quebec**
   - Eligible, so long as qualifying as renewable under statute 30 V.S.A. § 8002(17)(C).

3. **Banking of Tier I & II Credits**
   - DUs can bank for compliance purposes in one of the three years subsequent to acquisition
   - Retirement transactions to bank RECs are okay so long as a DU has already satisfied its annual retirement obligation
   - To avoid double counting, no sale of banked/retired RECs

4. **Disclosure of Generation Sources and Renewable Attributes**
   - DUs must annually publish: (1) their initial mix of fuel sources identifying all sources contributed more than 1% of a provider’s generation portfolio including specific identification of net metering resources, and (2) renewable claims after REC transactions, distinguishing between Tier I and II RECs

5. **List of Qualified Facilities**
   - Tier I- geothermal; hydroelectric; marine thermal/hydrokinetic; photovoltaic solar; concentrated solar power; wind; methane and flammable gases from food waste, agricultural waste, and other organic materials from decay of sewage or landfill wastes.
   - Tier II- geothermal; marine thermal/hydrokinetic; photovoltaic solar; concentrated solar power; wind; methane and flammable gases from food waste, agricultural waste, or other organic materials, or from decay of sewage or landfill wastes; hydroelectric that has received a water quality certification pursuant to 33 U.S.C. §1341 from VT ANR after Jan 1, 1987, or from the Low Impact Hydropower Institute, including those that meet a five year dormancy requirement.
   - Sources which don’t presumptively qualify, but can qualify via application:
     - Biomass and biofuel facilities, except that biomass facilities complying with standards published by the Dept. of Forests, Parks, and Recreation presumptively qualify under Tier II

6. **Aggregation Process for Net-Metered and Behind-the-Meter Generation**
   - Process similar to MA DOER’s for aggregating net metering resources for GIS where DU composes a master list quarterly including basic info of each system and owner, type of generation, and inclusion of the CPG number of each system
Final Order- TIER III

1. Conversion Methodology
   - DPS proposal adopted by the Interim order now approved

2. Process for Prior Approval
   - Technical advisory group (TAG) considers projects for prior approval. VEIC, as principal member of the TAG, is reimbursed for expenses through bilateral contracts with DUs that allocate costs to each DU based on pro-rata share of annual sales.

3. Cost-Effectiveness Screening
   - Projects screened using same tool as EEU program, but must also cost less than the applicable alternative compliance rate of $0.06/kWh, adjusted for inflation. **Non-energy efficiency measures such as batteries or electric vehicles are only screened against the alternative compliance payment.**
   - Screening must include administrative costs, will occur at the program level, and be included in annual plans that include future-year projections when possible
   - Annuals plans must include an analysis of any projects that will increase consumption, demonstrating that it has analyzed alternatives that will not increase electricity consumption

4. Banking and Trading of Tier III Savings
   - Tier III credits may be held by the DU for compliance without expiration, but credits derived from Tier II projects and used to satisfy Tier III may only be banked for the three years prescribed by the legislature for Tier II.
   - No trading of Tier III savings credits, but VPPSA members can trade amongst themselves if they choose to file in aggregate

5. Evaluation, Measurement, and Verification
   - Reporting will occur in the same manner as described in the Proposal, as modified by the Department
   - The DUs will now be subject to the same reporting requirements found in the P&A Document, and that uniform standards be developed through the TAG process
   - DUs filing savings claims on March 15 of every year, and Department makes recommendations on June 1 of every year

6. Equitable Opportunity
   - DUs must track low-income projects to assure equity, defining low income as those households at or below 80% of median household income, but can request an amended definition
   - No requirement of a standard statewide suite, but the Board “encourage[s] DUs and their partners to consider [a standard suite] as they plan their program offerings.”
   - DUs must track participation, costs, and benefits by customer sector, accruing costs and benefits in “rough proportion” to each sector’s annual retail sales over the term of the RES program, with the DUs allowed to petition the board for an alternative criteria if necessary

7. Partnership and Collaboration
   - Partnership and collaboration will occur in the same manner as described in the Proposal, as modified by the Department
   - DUs must inform customers of “[u]pfront costs, benefits, and long term maintenance requirements” of energy transformation projects within their marketing
8. **Best Practices and Minimum Standards**
   - Best Practices and Minimum standards are accepted as described in the Department’s Tier III proposal modification, with the below mentioned additions:
   - If a project increases electric usage, then DUs should ensure customers are enrolled in an appropriate advanced rate
   - Best practices must be included in each DUs annual plans
   - Buildings **do not** need to meet minimum performance standards to be eligible for an energy transformation project, but DUs must identify how they *encourage such a practice for projects increasing energy usage* (e.g. heat pumps) in their annual plans
   - Program messaging and marketing should be uniform when possible, and included in annual plans

9. **Process for Termination or Withdrawal of Energy Transformation Projects**
   - DUs must give notice to stakeholders and file notice with the board 30 days before termination of a project

10. **Tier III Annual Planning, plans filed by November 1st and must include:**
    - A description of estimated compliance obligation for the following compliance year and a description of the overall strategy to be implemented to meet Tier III compliance obligations in the following compliance year (e.g. banked credits, Energy Transformation projects, and use of excess Tier II credits)
    - Annual plans contemplating Energy Transformation Projects must include: (1) types of projects undertaken with sufficient detail for the department to develop and EM&V budget a description of collaborative efforts; (2) a value-based justification for any independently delivered projects; and (3) a description of how all ratepayers benefit equitably
    - Annual plans contemplating energy transformation projects that increase electricity consumption must include: (1) the estimated electric impact of such measures; (2) the demand-management best practices that will be incorporated; (3) how the technologies are appropriate for Vermont; (4) how the installation of the technologies in buildings that meet minimum energy performance standards will be encouraged; and analysis of whether there are any least cost alternatives that do not increase electric consumption
    - Any DU planning to share services between partners must provide a methodology for allocating costs and benefits within their annual plans
    - Need not be explicitly approved by the board, but will be subject to public comment period and possible workshop

11. **2020 Review**
    - Costs and benefits, rate impacts, equity, planning processes, screening mechanisms, market impacts, customer satisfaction, and impacts on other programs are amongst possible items to be reviewed in 2020 and encapsulated in the Department’s annual report to the legislature

12. **Use of Tier II RECs for Tier III compliance by 100% Renewable Providers**
    - A DU that owned renewable generation on January 1, 2015 in excess of its 2017 retail sales (“qualified DU”) may not count RECs associated with new net metering systems towards Tier III.
    - Qualified DUs seeking to apply generation from Tier II-eligible units to their Tier III requirements must show that generation was in excess of the generation and RECs that establish them as a qualified DU
Final Order- All Tiers

1. **Schedule for Compliance Filings**
   - Compliance Filings due January 1, 2017
   - Alternative Compliance Payments are due 30 days after the board’s determination of non-compliance

2. **Alternative Compliance Rates**
   - Rates will rise annually according to the consumer price index in the Northeast Region, being announced every September 1 and taking effect the following January 1.

3. **Adoption of March 15 Order**
   - All of the March 15 Interim Order’s conclusions are adopted as revised above.