

STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 21-1090-INV

2021 standard-offer prices for existing hydroelectric plants with a nameplate capacity of 5 MW or less	
--	--

Order entered: 12/14/2021

2021 STANDARD-OFFER PRICE FOR EXISTING HYDROELECTRIC PLANTS

I. INTRODUCTION

In a March 16, 2021, Order, the Vermont Public Utility Commission (“Commission”) adjusted the standard-offer price elements for energy, capacity, and environmental attributes for use in standard-offer contracts for existing hydroelectric plants.¹ The March 16 Order sought additional participant input on the price elements of avoided line losses and the value of a long-term contract.

In today’s Order, we establish the standard-offer price elements of avoided line losses and the value of a long-term contract.

II. BACKGROUND

The Commission is required to establish the standard-offer price for existing hydroelectric plants less than or equal to 5 MW in nameplate capacity as the sum of five elements identified in the statute.²

The five elements of the standard-offer price are: (1) the two-year rolling average of the ISO New England Vermont zone hourly locational marginal price for energy; (2) the two-year rolling average of the value of the plant’s capacity in the ISO New England Forward Capacity Market; (3) the value of avoided line losses; (4) the two-year rolling average of the market value of environmental attributes, including renewable energy credits; and (5) the value of a 10- or 20-year contract.³

¹ 2021 *Adjustments for Standard-Offer Price for Existing Hydroelectric Plants*, Case No. 21-1090-INV, Order of 3/16/21.

² 30 V.S.A. § 8005a(p)(3).

³ 30 V.S.A. § 8005a(p)(3)(A) through (E).

The Commission is required annually to recalculate and adjust the price elements of energy, capacity, and environmental attributes for all executed contracts.⁴ The Commission may also periodically adjust the value of environmental attributes of an executed contract based upon whether the unit becomes certified by the Low-Impact Hydropower Institute of Portland, Maine (“LIHI”)⁵ or loses such certification.⁶

The price elements of avoided line losses and the value of a long-term contract remain fixed at their values at the time a contract is signed for the duration of an executed contract. The Commission may annually adjust the two elements for inclusion in future executed contracts.⁷

III. INTERVENTION

On March 26, 2021, the Vermont Independent Power Producers Association (“VIPPA”) filed a motion requesting permissive intervention pursuant to Commission Rule 2.209(B).

VIPPA represents that it is a trade association with members who are owners of existing hydroelectric plants in Vermont and argues that the standard-offer price for existing hydroelectric plants has a direct and substantial impact on the interests of VIPPA’s members. VIPPA states that its participation will assist the Commission’s decision and will not delay the proceeding or prejudice the interests of any other party or the public. VIPPA states that this proceeding is the only proceeding in which VIPPA may protect its interests concerning a standard-offer price for existing hydroelectric plant owners.

Upon reviewing VIPPA’s motion to intervene, we find that VIPPA has a substantial interest in this proceeding that cannot be represented by existing parties, and that the standard-offer price for existing hydroelectric plants directly affects the interests of VIPPA’s members. Therefore, pursuant to Commission Rule 2.209(B), we grant intervention to VIPPA on a permissive basis.

⁴ 30 V.S.A. § 8005a(p)(4)(A)(i).

⁵ LIHI is a non-profit 501(c)(3) organization dedicated to reducing the impacts of hydroelectric generation through the certification of hydroelectric projects that have avoided or reduced their environmental impacts pursuant to LIHI’s criteria. To be LIHI-certified, a hydroelectric facility must meet criteria in the following eight areas: river flows, water quality, fish passage and protection, watershed protection, threatened and endangered species protection, cultural resource protection, recreation, and facilities recommended for removal.

⁶ 30 V.S.A. § 8005a(p)(4)(A)(ii).

⁷ 30 V.S.A. § 8005a(p)(4)(B)(ii).

IV. DISCUSSION AND CONCLUSION

With respect to the price elements addressing avoided line losses and the value of long-term contracts, the Commission is not required to revise its previously determined values for the two price elements but sought participant input before making a final determination. The Commission received comments addressing these two price elements from the Vermont Department of Public Service (“Department”) and VIPPA. Our determinations are addressed below.

Avoided Line Losses

The Commission previously determined that the value for avoided line losses is either 3% or 5% of the sum of the value of the energy and capacity elements.⁸ If there is one transformation (from 115 kV to interconnection voltage), then the losses are assumed to be 3%. If there is an additional transformation (from sub-transmission voltage to interconnection voltage), then the losses are assumed to be 5%.

The Department recommends no adjustment to the value for avoided line losses and supports maintaining line losses at either 3% or 5% of the sum of the value of the energy and capacity elements, depending on interconnection location.

As in previous determinations and based on the participants’ recommendations, the Commission makes no adjustments to the price element addressing avoided line losses, reflecting that average line losses across the system remain mostly unchanged from year to year.⁹

Value of Long-Term Contract

With respect to the price element reflecting the value of a long-term contract, the Commission previously established 1% and 2% adders to the value of the energy and capacity components of the price for 10-year and 20-year contracts, respectively.¹⁰ As discussed below, we are retaining these adders for use in 2021 standard-offer contracts.

In its comments, the Department recommends reducing the 1% and 2% adders established for 10-year and 20-year contracts to 0%. The Department argues that these standard-

⁸ See Docket 7874, Order of 3/6/15; Docket 7874, Order of 4/18/16; Case No. 17-3148-INV, Order of 5/25/17; Case No. 17-3148-INV, Order of 3/13/18; and Case No. 18-0360-INV, Order of 9/17/19.

⁹ See Case No. 17-3148-INV, Order of 5/25/17; Case No. 17-3148-INV, Order of 3/13/18; and Case No. 18-0360-INV, Order of 9/17/19.

¹⁰ See Case No. 18-0360-INV, Order of 9/17/19.

offer contracts do not provide ratepayers the price stability that would warrant a positive adder because the price elements for energy, capacity, and environmental attributes are tied to market conditions and the contracts are not subject to price caps.

VIPPA recommends adjusting the adders to 5% and 10% for 10-year and 20-year contracts, respectively. VIPPA argues that 5% and 10% adders properly reflect the value of existing in-state hydroelectric power to ratepayers and the public. VIPPA further argues that the existing adders have not provided enough of an incentive to prompt an existing plant operator to take advantage of the standard-offer program. VIPPA contends that long-term, stably priced hydroelectric power is desirable for ratepayers and the State, and that the desirability of in-state, stably priced hydroelectric power under a long-term contract was most recently demonstrated by Green Mountain Power Corporation's announcement of a 30-year power purchase agreement with Great River Hydro in Bellows Falls, Vermont.

In 2019, the Commission concluded that contract values of 1% and 2% represent an appropriate balance between the somewhat competing statutory goals of promoting existing hydroelectric plants and providing distribution utilities and ultimately ratepayers with affordable, long-term, stably priced power.¹¹ The information provided by participants does not alter our conclusion.

In response to the arguments raised by VIPPA, consistent with the Commission's 2019 decision, we conclude that the 5% and 10% contract values are not supported.¹² In past contract periods, before the Legislature eliminated the \$0.08 per kWh price cap on the annual standard-offer contract price,¹³ the Commission included positive contract adders (5% for 10-year contracts and 10% for 20-year contracts in 2018). These positive adders balanced the statutory goals of 30 V.S.A. 8001(a) by providing an incentive for distribution utilities to enter into affordable, long-term, stably priced renewable energy contracts, ensuring that the economic benefits of the contracted output flowed to Vermont ratepayers, and promoting diversity in plant capacity and type of renewable energy in Vermont.¹⁴ The positive adders promoted hydroelectric plants by providing them with higher energy and capacity prices, but the

¹¹ Case No. 18-0360-INV, Order of 9/17/19 at 13-16.

¹² Order of 9/17/19 at 13-16.

¹³ Public Act No. 31 (2019 Vt., Bien. Sess.), codified in 30 V.S.A. § 8005a(p).

¹⁴ 30 V.S.A. § 8001(a).

corresponding costs to distribution utilities and ratepayers were limited to contracts that did not exceed an affordable, long-term, stable price of \$0.08 per kWh (adjusted annually for inflation).¹⁵ VIPPA's argument for values of 5% and 10% fails to address the elimination of the \$0.08-per-kWh contract price cap and the Commission's previous rationale for the adoption of the 5% and 10% values.

Consistent with the 2019 determination, we decline to adopt the Department's recommendation to set the price element that reflects the value of a 10- or 20-year contract to zero.¹⁶ Instead, we are retaining contract values of 1% for 10-year contracts and 2% for 20-year contracts. As identified in the 2019 decision, we conclude that positive contract values are needed to continue with our past precedent of balancing statutory goals to provide distribution utilities with affordable, long-term, stably priced renewable energy contracts and promote a diversity of renewable energy plants. Positive contract values also recognize that a separate statutory program was established to specifically encourage existing hydroelectric plants with a nameplate capacity of 5 MW or less.¹⁷

Environmental Attributes

For the price element reflecting the value for environmental attributes, VIPPA requests that the Commission clarify that a plant is entitled to the renewable energy credit price for which the plant qualifies. (For instance, a plant that qualifies for Massachusetts Class II renewable energy credits is entitled to 2.35 cents/kWh, the price for Massachusetts Class II renewable energy credits.)

In the March 16 Order, the Commission determined that "[t]he price element reflecting the value for environmental attributes is determined based on the category of renewable energy credits that the output of an existing hydroelectric plant under the standard-offer program may qualify to receive."¹⁸ The Commission further stated that for use in 2021 standard-offer contracts, "the two-year average price for Massachusetts Class II renewable energy credits shall be 2.35 cents/kWh, the two-year average price for Connecticut Class I renewable energy credits

¹⁵ Order of 9/17/19 at 13-16.

¹⁶ Order of 9/17/19 at 13-16.

¹⁷ Order of 9/17/19 at 13-16.

¹⁸ Order of 3/16/21 at 2-3.

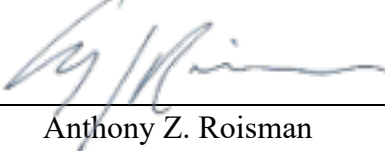
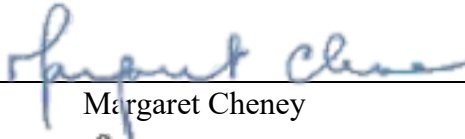
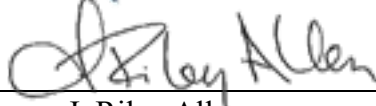
shall be 3.36 cents/kWh, and the two-year average price for Maine Existing renewable energy credits shall be 0.12 cents/kWh.”¹⁹ Accordingly, we clarify that the value of the price element that a hydroelectric plant receives is based on the renewable energy credit for which the plant qualifies. Thus, for example, a plant qualifying for Massachusetts Class II renewable energy credits receives a price element value of 2.35 cents/kWh.

V. ORDER

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED by the Vermont Public Utility Commission (“Commission”) that, effective for any standard-offer contract executed after the issuance of this Order, the standard-offer price elements for avoided line losses and the value of long-term contracts for existing hydroelectric plants under 30 V.S.A. § 8005a(p) shall be as determined in this Order.

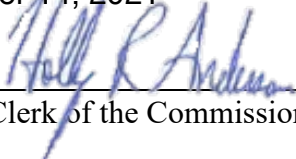
¹⁹ Order of 3/16/21 at 2-3.

Dated at Montpelier, Vermont, this 14th day of December, 2021.

)	
Anthony Z. Roisman)	PUBLIC UTILITY
)	
)	
Margaret Cheney)	COMMISSION
)	
)	
J. Riley Allen)	OF VERMONT

OFFICE OF THE CLERK

Filed: December 14, 2021

Attest: 
Clerk of the Commission

Notice to Readers: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Commission (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: puc.clerk@vermont.gov)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Commission within 30 days. Appeal will not stay the effect of this Order, absent further order by this Commission or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Commission within 28 days of the date of this decision and Order.

PUC Case No. 21-1090-INV - SERVICE LIST

Olivia Andersen
Renewable Energy Vermont
P.O. Box 1036
Montpelier, VT 05601
Olivia@revermont.org

(for Renewable Energy
Vermont)

Carolyn Browne Anderson, Esq.
Green Mountain Power Corporation
2152 Post Road
Rutland, VT 05702
carolyn.anderson@greenmountainpower.com

(for Green Mountain
Power Corporation)

Melissa Bailey
Vermont Public Power Supply Authority
P.O. Box 126
5195 Waterbury-Stowe Road
Waterbury Center, VT 05677
mbailey@vppsa.com

(for Vermont Public
Power Supply Authority)

^Leslie A. Cadwell, Esq.
Legal Counselors & Advocates, PLC
P.O. Box 827
Castleton, VT 05735
lac@lac-lca.com

(for Vermont
Independent Power
Producers Association)

Joseph McKearin
Green Mountain Power Corporation
2152 Post Road
Rutland, VT 05701
Joseph.McKearin@greenmountainpower.com

(for Green Mountain
Power Corporation)

Al Patroni, *pro se*
aandvwelding@gmail.com

James Porter, Esq.
Vermont Department of Public Service
112 State Street
Montpelier, VT 05620
james.porter@vermont.gov

(for Vermont
Department of Public
Service)

Andrew Quint
Green Mountain Power
6870 Merchants Row
Rutland, VT 05701
andrew.quint@greenmountainpower.com

(for Green Mountain
Power Corporation)