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State of Vermont
Public Service Board

MEMORANDUM

To: Service List re PSB Docket No. 8817 (Investigation into programmatic adjustments to the standard-offer program)

From: Judith C. Whitney, Clerk of the Board JCW

Re: Technical Corrections

Date: March 10, 2017

On March 2, 2017, the Public Service Board issued an Order re 2017 Technology Allocation and Price Caps for the Standard-Offer Program (Docket 8817).

Enclosed are replacement Pages 4, 6, and 8 of that Order to reflect technical corrections. The technical corrections recognize an error in the calculation of the Developer Block based on the methodology detailed in the Order, and result in a change in the available capacity of the Developer Block for 2017.

Please replace these pages for the ones sent to you on March 2nd.

Thank you.

Encls. (3)

an equal basis to non-solar technology categories[7], awarded on bid price within each category (the "Technology Diversity Developer Block").

Annual Increase

Pursuant to 30 V.S.A. § 8005a(c)(1)(A), the annual increase to the standard-offer program capacity is 7.5 MW for the year 2017. In addition, pursuant to Section 8005a(c)(1)(B)(ii), any unsubscribed capacity from the Provider Block is added to the annual increase. For the 2017 RFP, the unsubscribed Provider Block capacity is 1.125 MW, resulting in an actual increase of 8.625 MW.

Under the pilot program, in 2017, pursuant to Section 8005a(c)(1)(D), one-sixth of the annual increase shall be allocated to projects located over parking lots or on parking lot canopies and one-sixth of the annual increase shall be allocated to standard-offer projects at other preferred locations. In addition, in 2017, pursuant to Section 8005a(c)(1)(B)(i), 15% of the annual increase shall be allocated to the Provider Block.

Accordingly, for the 2017 RFP, the following shall be allocated:

- 1.4375 MW for projects located over parking lots or on parking lot canopies;
- 1.4375 MW for projects located at other preferred locations;
- 0.8625 MW for the Provider Block; and
- 4.8875 MW for the Developer Block.

Participants' Comments

The Department recommends that the existing allocation mechanism approved by the Board in 2016 be adjusted to accommodate the pilot program for preferred locations. The Department's adjustments include replacing the Price-Competitive Developer Block with the pilot program allocations and distributing the remaining Developer Block capacity over the six technologies established in the Technology Diversity Developer Block.[8] The Department further recommends that any unused capacity be reallocated based on bid price to the Price-Competitive Developer Block.

GMP also recommends that the existing allocation mechanism approved by the Board in 2016 be adjusted to accommodate the pilot program for preferred locations. GMP's adjustments include adding a pilot program block at a 2.875 MW allocation, retaining the

[7] The non-solar technology categories currently include hydroelectric, biomass, large wind, small wind, landfill gas, and food waste anaerobic digestion.

[8] The Department's analysis assumes the annual increase for the standard-offer program is 7.5 MW.

Sections 8001 and 8005a as well as the goals expressed by stakeholders for a technology allocation that is stable, predictable, and transparent.[10]

Any technology allocation must balance statutory goals and directives that may seemingly be at odds — for instance, supporting the inclusion in Vermont's retail electric supply portfolio of a diversity of renewable energy projects, both in size and in technology, while at the same time ensuring the timely development of such projects at the lowest feasible cost. The allocation must also take into consideration the varying market interest in developing projects from each technology category.

Based on the introduction of the one-year pilot program for preferred locations and our review of the technology allocation methodologies recommended by participants, we are modifying the technology allocation established in our February 2016 Order. As described further below, we are continuing a structure that includes a Price-Competitive Developer Block and a Technology Diversity Developer Block, and for 2017, adding a Preferred Location Block.

Accounting for the unsubscribed capacity from the 2016 Provider Block and the Preferred Location Block, the size of the Developer Block for the year 2017 will be approximately 5.75 MW. The Developer Block will be approximately 6.375 MW for year 2018, and will be approximately 8.0 MW for each of the years 2019-2021. In the years 2017-2018, we direct the Standard Offer Facilitator to make 2.2 MW of this capacity available each year to the Price-Competitive Developer Block for projects of any technology category, awarded based on bid price. For the remainder of the Developer Block capacity — approximately 2.69 MW in 2017 and approximately 4.175 MW in 2018 — we direct the Standard Offer Facilitator to allocate this capacity to the Technology Diversity Developer Block on an equal basis for each non-solar technology category with an avoided-cost price cap greater than the solar price cap. For 2017, the Technology Diversity Developer Block will include small wind and food waste anaerobic digestion projects. Within each technology category, contracts will be awarded based on submitted bid prices, with the lowest-priced bids awarded contracts until each technology-specific set-aside has been fulfilled. The cap on a technology category may be exceeded if the marginal bid exceeds the remaining space for that category.

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[10] *See* February 2016 Order.

Consistent with previous Board Orders, the annual capacity caps for the Preferred Location Block and the Provider Block will serve as a hard cap on the size of the eligible project, rather than the 2.2 MW standard-offer project cap.[12] Our determination of hard caps for projects in these blocks is guided by the enabling legislation for the standard-offer program establishing annual limits for these blocks. The Legislature set annual caps for these technology blocks with the full understanding that plants up to 2.2 MW were eligible to receive standard-offer contracts. Thus, it is reasonable to conclude that the annual limits for the Provider Block and the Preferred Location Block were intended to be a hard cap on the size of the projects in these blocks.

We conclude that the above technology allocation mechanisms — which include many of the elements proposed by stakeholders — properly balance the applicable statutory goals and directives while also providing stability, predictability, and transparency to standard-offer program participants.

The table below shows the approximate capacity allocation for the 2017 RFP.

2017 Standard-Offer Program Technology Allocation

Price-Competitive Developer Block	2.2 MW
Technology Diversity Developer Block	
Small Wind	1.34375 MW
Food Waste Methane	1.34375 MW
Preferred Location Block	
Parking Canopies	1.4375 MW
Other Preferred Locations	1.4375 MW
Provider Block	0.8625 MW

IV. PRICE CAPS FOR SOLAR PROJECTS

Participants' Comments

The Department proposes an avoided-cost price cap of $0.130 per kWh for solar projects solicited through the 2017 RFP.[13] The Department reviewed the assumptions and cash-flow model used to determine the existing solar price cap. The cash-flow model, which was developed collaboratively by stakeholders in Docket 7533, has been used by the Board in

[12] *Order Re 2014 Standard-Offer Provider Block*, Docket 7873 and 7874, Order of 8/6/14.
[13] The solar price cap for the 2016 RFP was $0.130 per kWh.