

STATE OF VERMONT  
PUBLIC SERVICE BOARD

DOCKET NUMBER 8817

IN RE: INVESTIGATION INTO PROGRAMMATIC  
ADJUSTMENTS TO THE STANDARD-OFFER PROGRAM

October 4, 2016  
9:30 a.m.

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112 State Street  
Montpelier, Vermont

Workshop held before the Vermont Public Service Board, at the Susan M. Hudson Conference Room, People's United Bank Building, 112 State Street, Montpelier, Vermont, on October 4, 2016, beginning at 9:30 a.m.

P R E S E N T

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P R E S E N T

1  
2 Carolyn Anderson, GMP  
Michael Melone, Allco Renewable Energy  
3 Sean Breen, Sustainable Ag. Services Co.  
Tom Boucher, Sustainable Ag. Services Co.  
4 Sean Foley, DPS  
Jeanne Elias, DPS  
5 Carolyn Alderman, VEPP, Inc.  
Vickie Brown, VEC  
6 Eric Florio, VEPP, Inc.  
Melissa Bailey, VPPSA  
7 Jeremy Hoff, Stowe Electric  
David Grimason, Grimason & Associates  
8 Tony Klein, State Rep.  
Bill Kaplan, Fundamental Energy  
9 Tom Gardner, Triland Partners  
John Woodward, DPS  
10 Jason Day, Star Wind Turbines  
John Brabant, Vermonters for a Clean Environment  
11 Olivia Campbell, REV

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1 MS. KROLEWSKI: Why don't we get  
2 started. Good morning. This is a workshop in Docket  
3 8817, which is an investigation into programmatic  
4 adjustments to the standard-offer program.

5 I'm Mary Jo Krolewski, one of the staff  
6 the Board has appointed in this matter. With me is  
7 Kevin Fink, George Young, Tom Knauer, and Jake  
8 Marren.

9 And why don't we go around the room and  
10 people can give their names.

11 MS. ELIAS: Jeanne Elias with the  
12 Department of Public Service.

13 MR. FOLEY: Sean Foley with the  
14 Department of Public Service.

15 MR. WOODWARD: John Woodward for the  
16 Department of Public Service.

17 MR. GRIMASON: Dave Grimason, Grimason  
18 & Associates, coordinator of the Cow Power program.

19 MS. BAILEY: Melissa Bailey, Vermont  
20 Public Power Supply Authority.

21 MS. ALDERMAN: Carolyn Alderman, VEPP,  
22 Inc.

23 MR. FLORIO: Eric Florio, VEPP, Inc.

24 MR. MELONE: Michael Melone, Allco  
25 Renewable Energy.

1 MR. BRABANT: John Brabant, Vermonters  
2 for a Clean Environment.

3 MR. KAPLAN: Bill Kaplan from  
4 Fundamental Energy.

5 MR. BOUCHER: Tom Boucher, Sustainable  
6 Ag Services.

7 MR. BREEN: Sean Breen, Sustainable Ag  
8 Services.

9 MS. BROWN: Vickie Brown, Vermont  
10 Electric Co-op.

11 MR. GARDEN: Tom Garden, Triland  
12 Partners.

13 MR. DAY: Jason Day, Star Wind  
14 Turbines.

15 MR. HOFF: Jeremy Hoff, Stackpole &  
16 French on behalf of the Town of Stowe Electric  
17 Department.

18 MS. KROLEWSKI: Okay. All right.  
19 Understand that Carolyn Anderson of Green Mountain is  
20 going to join us at some point. We got a note of  
21 that.

22 MS. BAILEY: I also got a note. I did  
23 not get an agenda on the 27th. Is that something  
24 someone could forward?

25 MS. ELIAS: I can.

1 MS. KROLEWSKI: That's odd. Because  
2 I'm pretty sure you were on the list.

3 MS. BAILEY: I should be on the list.

4 MS. KROLEWSKI: Yeah. It went out on  
5 the 27th. It would have come by E-mail.

6 MS. BAILEY: Yeah.

7 MR. KNAUER: If I can get a show of  
8 hands, I will be happy to run and make a few paper  
9 copies. Five?

10 MS. KROLEWSKI: All right. You were on  
11 the list too.

12 MS. ALDERMAN: Yes. I don't have it  
13 either. I have the initial one on September 16.

14 MS. KROLEWSKI: Okay. There was also  
15 an order opening the investigation that went out on  
16 9/16. And actually that order asks you to sign up  
17 for the E-mail list too. I did check.

18 MS. ELIAS: Melissa, you're on the  
19 E-mail.

20 MS. BAILEY: My mistake. Thank you.

21 MS. ELIAS: No, I mean maybe it's the  
22 wrong address.

23 MS. KROLEWSKI: How could you miss the  
24 E-mail?

25 MS. BAILEY: I don't -- yeah.

1 MS. KROLEWSKI: Well why don't we get  
2 started. So the memo for the agenda just has three  
3 topics essentially that we are thinking of discussing  
4 today. And the first topic is the pilot project for  
5 standard-offer projects located at what is referred  
6 to in the statute as preferred locations. And then  
7 the second agenda item is to discuss the Board's  
8 requirement -- I mean the statutory requirement that  
9 the Board allocate the cumulative capacity of the  
10 standard-offer program among different categories.

11 And I will note that the Board last  
12 year in a February 12 order set out sort of a process  
13 for a mechanism to allocate the capacity. And then  
14 the third topic was our sort of annual review of the  
15 avoided cost caps that we use under the  
16 standard-offer program.

17 And so the last time the Board reviewed  
18 prices was last year. And there was a March 7 order  
19 that addressed those prices. And also what the memo  
20 had attached was several pages with the current price  
21 caps under the program and the list of assumptions  
22 that were used to set those price caps. So that was  
23 for informational purposes.

24 And I'll just remind people that the  
25 price caps in the past were set using cash flow

1 models, Excel spreadsheets, and those spreadsheets  
2 are available on the Board's Web site, and the memo  
3 has a link to that. The Board has a page for the  
4 standard-offer program, and on it it has the latest  
5 cash flow models.

6 So why don't we get started with, I  
7 think, the first topic which is the pilot -- one-year  
8 pilot project program, and I don't know what's the  
9 best way to get started. But there is a fair amount  
10 of requirements in the Act with regard to the pilot  
11 program, so we are looking at -- if you have a copy  
12 of the Act it starts on page 28. But then it's under  
13 Section 8005a, it's (c)(1)(D) is where it starts. So  
14 just to get started here, why don't I just read sort  
15 of the initial part here.

16 So the pilot project; preferred  
17 locations. "For one year commencing on January 1,  
18 2017, the Board shall allocate one sixth of the  
19 annual increase to the new standard-offer plants that  
20 will be wholly located in one or more preferred  
21 locations other than parking lots or parking lot  
22 canopies, and separately, one sixth of the annual  
23 increase" -- of the -- typo here, "of the annual  
24 increase to new standard offer plants that will be  
25 wholly located over parking lots or parking lot

1 canopies."

2 So there is sort of two categories that  
3 we are looking at. And then the Act outlines what is  
4 sort of meant by preferred locations outside of  
5 parking canopies. And has a -- several criteria, and  
6 then it also indicates that the allocations -- the  
7 one sixth allocation should be applied proportionally  
8 to the developer block and the provider block for  
9 2017.

10 So why don't I just start by asking  
11 people their thoughts on how we should -- I mean it's  
12 sort of obvious what proportion of the cap should be  
13 allocated. I think that's the simple part. But then  
14 --

15 MR. MARREN: May I interject, Mary Jo?  
16 Can I ask the standard offer facilitator, have you  
17 done a calculation of exactly how much capacity we  
18 are talking about for this one-year program?

19 MS. ALDERMAN: For our next year's RFP,  
20 the solicitation will be for 7.5 megawatts. So we  
21 have to cut up that pie. I haven't looked at what  
22 would be the one sixth.

23 MR. MARREN: So one sixth of 7.5  
24 megawatts.

25 MS. ALDERMAN: Of 7.5. That's



1 including both the provider and the developer block.

2 MR. MARREN: Does anyone remember,  
3 because I can't, what's the split between developer  
4 and provider?

5 MR. KNAUER: 15 percent. So I've done  
6 the math.

7 MS. KROLEWSKI: Tom's done the math.

8 MR. KNAUER: So we have got a seven  
9 and-a-half megawatt allocation this year, and 15  
10 percent is going to the provider block. So that  
11 leaves 6.375 megawatts in the developer block and  
12 1.125 in the provider block. And then if you go one  
13 sixth for the preferred location in the developer  
14 block that's 1.0625 megawatts, and the same would be  
15 allocated to parking lots or parking canopies.

16 And in the provider block you would  
17 have 0.1875 megawatts each for the preferred  
18 locations and the parking lot. People in the room  
19 are free to check that math and correct it.

20 MS. KROLEWSKI: I was just going to say  
21 please check our math.

22 So I guess when I was looking at this  
23 allocation, there is a couple of things to keep in  
24 mind or to think about, I guess, at least I was  
25 trying to think about was right now when we go out

1 for the RFP we have price caps for all the  
2 categories. I guess one thing to think about is if  
3 we have these cutouts for these two categories, would  
4 we need separate price caps for those categories.

5 And then a second thing to think about  
6 there is a fair amount of requirements that have to  
7 be demonstrated for these projects to qualify,  
8 including if you look under (D) (I) one of the  
9 requirements is that the plant shall not require the  
10 construction of a new substation by the  
11 interconnecting retail electricity provider or by  
12 increasing the capacity of one or more of the  
13 providers' existing facilities. So I guess that's  
14 another area where we kind of want input.

15 How do people think that that could be  
16 demonstrated in an RFP if we are using an RFP to  
17 solicit these projects? So why don't I open it up to  
18 people's thoughts.

19 MR. FOLEY: Well right now under most  
20 programs you would have to have a proof of control of  
21 property. And it's standard practice among electric  
22 utilities that when you build load that you have to  
23 get a letter to serve. You could require something  
24 similar of the merchant generator, a letter to serve  
25 that meets these two requirements from the

1 interconnecting utility.

2 MR. MARREN: Sean, can I ask you a  
3 question? My name's Jake Marren from the Board.  
4 There are sort of two parts to this requirement. One  
5 is no construction of a new substation, but then the  
6 second part is or by increasing the capacity of one  
7 or more of the providers' existing facilities. What  
8 facilities do you think the statute is referring to  
9 there?

10 MR. FOLEY: That's a really good  
11 question. I don't know. And that's a really big  
12 hurdle because that would imply that that could be  
13 anything. I mean --

14 MR. MARREN: Reconductoring a line.

15 MR. FOLEY: Reconductoring a line might  
16 be considered reaching the capacity of the facility.

17 MR. MARREN: Might need some comments  
18 from folks on that.

19 MS. KROLEWSKI: Yeah. Yeah. I think  
20 if people aren't prepared to give comments now, but  
21 that's one area I think that we need comments on is  
22 one, what you think that means. And two, how would  
23 we lay that out in an RFP, what would you need to do  
24 to demonstrate that in an RFP. Yes.

25 And then we are also specifically

1 looking for the -- our distribution utilities to  
2 weigh in on that what they think that means and ways  
3 that that could be demonstrated. If people want to  
4 add any more right now on that topic, or we could  
5 move on.

6 MR. KNAUER: I guess I'll ask. Sean  
7 mentioned the ability to serve letters. Is that a  
8 quick and easy analysis for a DU to perform, or does  
9 this go to the next level like doing a fast track  
10 analysis under Board Rule 5.500? Do you know when  
11 you get a request to interconnect someone what the  
12 capacity of the system is and the ability to take on  
13 that project? Anyone?

14 MS. BAILEY: My initial guess would be  
15 that's a pretty preliminary analysis that the  
16 utilities could do. But I would need to check on  
17 that.

18 MS. ANDERSON: So I came in a little  
19 late, so I'm a little bit behind the eight ball, and  
20 I apologize. But as far as if you're talking about  
21 the capacity of the substation or something like  
22 that, I think that would probably be a relatively  
23 known analysis. But after that, I mean we always say  
24 that you don't know what can interconnect and what  
25 upgrades would need to be done until you do the

1 analysis.

2 MR. MARREN: The analysis being either  
3 fast track or a System Impact Study required?

4 MS. ANDERSON: Yes.

5 MS. KROLEWSKI: And currently --

6 MS. ANDERSON: That's a very -- excuse  
7 me -- that's a technical question, and I'm not the  
8 technical person.

9 MS. KROLEWSKI: And currently under the  
10 existing RFP mechanism that we have in place right  
11 now that is not something that's being demonstrated  
12 by the project. So that's something that's being  
13 looked at under the Section 248 CPG process.

14 MR. FOLEY: Anyone can develop a  
15 project in the room. I think when a developer goes  
16 to bid a project, they have done a lot of due  
17 diligence beforehand. When they bid they are bidding  
18 the price that includes their expected cost all the  
19 way to deliver. So they know their installed cost,  
20 and that installed cost usually includes a discussion  
21 with the interconnecting utility on what the  
22 infrastructure is going to cost them to interconnect.

23 So I think it's a step that developers  
24 generally take anyways. And so we are just sort of  
25 you have to memorialize that step with a filing with

1 the Board before you actually bid, so it says that  
2 you've actually done this, and the interconnecting  
3 utility agrees with the assumptions that you're  
4 making. I think it's an -- it would be an  
5 interesting hurdle as Jake brought up, what does it  
6 mean to increase your capacity. But I think it's a  
7 standard practice that utilities are following right  
8 now in terms of larger generation facilities.  
9 Smaller ones with the fast track may be a little bit  
10 quicker, and if you get below 15 KW, it's not  
11 required at all.

12 So I don't think we are looking --  
13 might be looking at units that size, but I don't  
14 think so.

15 MR. MARREN: I mean another thing to  
16 consider is what happens if we have some sort of  
17 preliminary analysis and that is shown in the RFP bid  
18 and it's accepted, but then upon doing the 248 CPG  
19 process and the actual interconnection analysis you  
20 end up with a different result? And then by the  
21 terms of the statute maybe they are not eligible for  
22 the program anymore potentially. I mean we want to  
23 make sure when people get into the program that they  
24 have certainty that they are eligible to participate  
25 and not having --

1 MR. FOLEY: I understand.

2 MR. MARREN: -- shifting as the  
3 analysis is completed. So I see a hand back there.

4 MR. GARDEN: Tom Garden, Triland. I'll  
5 just try to share a little bit of insight on that.  
6 Sean I think is on track, but it's a little different  
7 nowadays, because a few years ago you could go speak  
8 to the utility or submit an interconnection  
9 application for \$300 and get some preliminary  
10 feedback. Utilities, in particular Green Mountain  
11 Power, are just so overwhelmed with interconnection  
12 requests these days that you may get a fast track  
13 report that gives you some preliminary feedback that  
14 used to be \$300. Now I think that's going to be a  
15 \$900 expense.

16 But in all likelihood you're going to  
17 then get a request for facility study that's going to  
18 cost you ten thousand dollars. And not many  
19 standard-offer projects that are going to be in the  
20 10 to one megawatt range let's say, for the sites we  
21 are talking about, you go up to one megawatt I think  
22 you said, are going to have the wherewithal to spend  
23 that kind of time and money before they even know  
24 whether they win the bid or not.

25 So the expectation is going to be that

1 people are just going to -- they are going to submit  
2 their bid, and they are going to hope that they did  
3 enough due diligence ahead of time that if they are  
4 selected and they put in their deposit to VEPPI, that  
5 is forfeitable once you sign a PPA, that it's  
6 all sort of come together.

7 But what that new law essentially says  
8 to somebody who is trying to build on a landfill or  
9 a, you know, some kind of -- I don't want to say  
10 quarry or gravel pit or something of that nature, is  
11 that there is a lot of inherent and incumbent risk  
12 and up-front expense, and you don't even know if  
13 you're going to win the bid.

14 MR. FOLEY: It's a good point on the  
15 down payment though. But that could be waived if  
16 there was no fault of your own that there was a --  
17 that could be part of the RFP that gets returned if  
18 after the fact there is something that comes up. But  
19 that's a great point.

20 MR. YOUNG: So when we get  
21 implementation comments, these are useful things.  
22 Let me just throw out, do we need to have a process  
23 -- we have tried to basically you go through the RFP  
24 process, you submit your bid, we do the evaluations,  
25 we award the bids. The contract is done.



1                   Given the uncertainty, I mean  
2                   essentially that you may not know about whether, gee,  
3                   there is a transformer upgrade that's needed at this  
4                   station, there is something else that's needed at  
5                   this station, you know, at a substation that triggers  
6                   this, do we need to think about making conditional  
7                   awards for this group pending a final determination  
8                   on that point to avoid the up-front issue that Tom's  
9                   raising? I'm throwing that out for comments.

10                   Because you know, obviously at some  
11                   point we are going to be moving to getting comments  
12                   or setting up some process for resolving these  
13                   issues. And we will come out with an order by next  
14                   March. But just for people to think about, because  
15                   we have usually tried to create certainty, but if  
16                   this is huge up-front cost, that's going to be a  
17                   deterrent that may not accomplish the objectives of  
18                   trying to get -- allow for these types of projects.

19                   So just trying to be creative in terms  
20                   of how to implement this.

21                   MS. KROLEWSKI: Yes, Mr. Day.

22                   MR. DAY: What other categories are  
23                   there besides brown fields and gravel pits, et  
24                   cetera, that you can install a small wind turbine on  
25                   that would qualify for these preferred locations? Is

1 it possible to come up with other ideas?

2 MR. MARREN: The statute lists the  
3 preferred locations.

4 MS. KROLEWSKI: Right. There is -- I'm  
5 trying to count here.

6 MR. MARREN: There is a whole lot of  
7 them.

8 MS. KROLEWSKI: There are a fair amount  
9 of them. And actually the -- the parking canopies  
10 are not limited to any particular project. They  
11 might be just by design, but --

12 MR. DAY: What about a wetland, if the  
13 wetlands were not affected? If it remained a  
14 wetland.

15 MS. CAMPBELL: Olivia Campbell,  
16 Renewable Energy Vermont.

17 MS. KROLEWSKI: So I think it's under  
18 -- trying to just find a place here under the  
19 statute. (D) (I) (V). So page 29 if you have the Act  
20 where it lists what is meant by preferred location.  
21 And there are nine, no, eight, no nine, nine  
22 preferred locations or descriptions of preferred  
23 locations on there. And I think though if you look  
24 at the third one it addresses a little bit about some  
25 of that environmental criteria. So under that --

1 under three you're basically -- you have to  
2 demonstrate, which again this seems like something  
3 that we haven't asked for a demonstration in the  
4 past, under an RFP that it limits the disturbance of,  
5 let's see, must include either an existing structure  
6 or impervious surface and shall not include any head  
7 waters, streams, shorelines, floodways, rare and  
8 irreplaceable natural areas, necessary wildlife  
9 habitat, wetlands, endangered species, and it goes on  
10 for a few more. So that --

11 MR. MARREN: That's just one category.

12 MS. KROLEWSKI: That's one category.

13 MR. MARREN: I guess the point is the  
14 statute sets out what the preferred sites are. You  
15 should look through that.

16 MR. DAY: I have a scenario we have a  
17 concrete block that's 16 by 16 square, and we have  
18 ways of building a road that are permeable and do not  
19 affect the wetland, and you could take a concrete  
20 truck right over a class two wetland. I'm not  
21 talking about a swamp where there is a lot of  
22 cattails. I'm talking about something that legally  
23 is defined as a wetland by a soil sample, but it's  
24 basically pseudo wetlands. You can drive over. You  
25 have cornfields that are considered wetlands. I'm

1 talking about something that is not preferred. But  
2 -- and it's not wetlands, it still remains wetland  
3 afterwards because the wind turbine does not affect  
4 it.

5 And the road and the infrastructure  
6 going into it are nil. So I'm just talking about an  
7 idea.

8 MR. YOUNG: Can I ask are you talking  
9 about whether that should be -- whether that  
10 qualifies as a preferred site or whether --

11 MR. DAY: I'm asking -- I'm looking for  
12 something that a small wind turbine can participate.  
13 Obviously we can't go on top of a parking canopy.

14 MR. YOUNG: Let me give you two answers  
15 that are different ones. Number one is preferred  
16 sites are defined by statute. So you would have to  
17 see whether your project as you define it fits into  
18 one of the categories that are defined by the  
19 statute. We can't really go beyond that.

20 I mean and the statute -- I assume you  
21 have had a look at it -- but you're not talking  
22 sanitary landfill, you're not talking a gravel pit.  
23 So you would have to see whether yours fit in. The  
24 second is to the extent you're not looking to be a  
25 standard offer -- not looking to be a preferred site,

1 you just have to put that into your 248 application  
2 and demonstrate that you can bid into the system  
3 normally, not as a preferred, in the reservation for  
4 the 1/6, and make the case as to why your proposed  
5 method of construction and siting fits the normal 248  
6 criteria.

7 I will say having not seen exactly what  
8 you're proposing, and having read these criteria,  
9 it's not clear that what you're talking about would  
10 qualify as a preferred site. But you know, it's not  
11 like the Board wants to be in a position of giving  
12 you a legal determination without -- you know,  
13 without a lot more information at this time. So I'm  
14 going to put the onus back on you, look at the  
15 criteria here, and that's what we have to interpret  
16 and apply.

17 MR. DAY: I'm trying to understand. So  
18 the one sixth is coming out of the entire 7,500  
19 kilowatt capacity? Entire year allocation, so one  
20 sixth times two?

21 MR. YOUNG: A third is coming out.

22 MR. DAY: One third. Okay. How does  
23 that affect the individual allocations for the other,  
24 you know, like the small wind and the hydro, their  
25 696, one third come out of those as well?

1 MS. KROLEWSKI: That is open for  
2 discussion.

3 MR. MARREN: That's number two on our  
4 agenda.

5 MS. KROLEWSKI: Number two on the  
6 agenda.

7 MR. DAY: We are not there yet. Okay.

8 MR. YOUNG: It might; it might not.  
9 That's one of the things that we are asking for  
10 comments on. If we have to pull a third of the  
11 capacity out for the preferred sites, what do we do  
12 with the allocation order that we issued last year  
13 that was intended to apply going forward for the rest  
14 of the program?

15 MR. DAY: Okay. I've got it.

16 MS. KROLEWSKI: So I guess I wanted to  
17 add too here, you know, what we are looking for  
18 comments. So there are these criteria, and so what's  
19 considered preferred location. And I guess we are  
20 looking for, you know, if we are using the RFP  
21 mechanism to solicit these, is there anything we  
22 should be adding to RFP language with regard to these  
23 criteria? Is there anything people are thinking  
24 about, you know, how these would be identified in the  
25 criteria.

1                   Some of them are obviously somewhat  
2 straightforward. But I guess we are just looking  
3 for, you know, language or thoughts on how the RFP,  
4 you know, language should look when we are defining  
5 this criteria.

6                   MR. FOLEY: So I had a thought on the  
7 -- identifying what track might be a standard you  
8 might use. I mean not use, but maybe rely on, is the  
9 developer could go to a municipality to get  
10 certification that the lot had been previously  
11 developed for something else. They should have some  
12 sort of land record there to say there had been X, Y,  
13 and Z developed here. So the only thought -- you  
14 need some sort of proof that says well there was a  
15 parking lot here at sometime in the distant past, or  
16 there was a facility here that's now defunct that we  
17 are building on top of it.

18                   So I guess it's just the municipal land  
19 records that you would be asking for. Those are  
20 pretty -- I think pretty straight forward to get. I  
21 don't know how you would prove beyond that whether  
22 there was something existing there other than looking  
23 at that type of record.

24                   MR. MARREN: Does the Board need to  
25 adopt any more specific criteria to implement these

1 preferred sites, or are they, you know, sufficiently  
2 definite on their face that it's going to be easy to  
3 apply these? Like I'm looking on page 30 number four  
4 it says: "Land certified by the Secretary of Natural  
5 Resources to be a brown field site." That seems like  
6 a pretty implementable criteria, no further.

7 Does the Board need to flesh these out  
8 more so there is no confusion when people apply as to  
9 who is going to be eligible and who is not?

10 MR. FOLEY: I think it's a good  
11 question just raised by the developer here, he's not  
12 clear what it means by a tract previously developed  
13 for other use. I wouldn't consider a cornfield  
14 previously developed. But somebody might consider a  
15 cornfield previously developed. So there might be  
16 some sort of standard you would have to set, and I  
17 haven't thought about what that might be.

18 MR. MARREN: And also what's jumping  
19 out to me about a lot of these preferred sites is  
20 that there seems to be a role for ANR possibly in  
21 this. And whether ANR needs to have an opportunity  
22 to comment on whether someone is eligible, because  
23 some of these things look like they may be not our  
24 bailiwick in the first instance.

25 MS. ELIAS: When I look at some of



1 these criteria, even though there may be some  
2 information in the land records, you're talking about  
3 use. So I'm looking at, for example, number six, the  
4 disturbed portion of a gravel pit, quarry or similar  
5 site for the extraction of a mineral resource. Who  
6 knows. And it's not necessarily going to be in the  
7 land records of the town whether that's the disturbed  
8 portion.

9 I mean, you know, how -- you can't go  
10 to the land records and find information I think that  
11 says that. And the other half of that is provided  
12 that all activities pertaining to site reclamation  
13 required by applicable law or permit condition are  
14 satisfied prior to not coming into the standard-offer  
15 program but installation of the plant. I mean, oh  
16 yeah, there is a mess out there and nobody obeyed the  
17 rules, and we are going to get to that later. That  
18 doesn't give you a lot of confidence. They are  
19 problematic in terms of proof. And I don't know that  
20 there are very cookie cutter prescriptions that we  
21 can place on them to make sure that the statutory --  
22 the individual statutory criteria are complied with  
23 for that site. And given the amount of energy that  
24 we are talking about here, it may be better to do on  
25 a case-by-case basis than to necessarily have the RFP

1 draft everything that you're going to need, I mean  
2 other than sort of blanket conditions. But say  
3 you're going to have to satisfy the specific criteria  
4 that you use and then try and figure out from a  
5 temporal perspective when that's going to have to  
6 happen. Does that make sense?

7 MS. KROLEWSKI: I think that's similar  
8 to what Mr. Young raised earlier; right? That maybe  
9 some of these need to be somewhat conditional, you  
10 know, you submit in the RFP and then might need to be  
11 demonstrated at a later point more fully.

12 MS. ELIAS: And maybe an acknowledgment  
13 of in the response to the RFP that it talks about the  
14 specific criteria and sort of a threshold  
15 acknowledgment that you've read it, and you  
16 understand it, and you know -- you believe you can  
17 prove it. And that you will have to prove it later.  
18 Something like that.

19 MR. YOUNG: And that's why I threw out  
20 the comment earlier. I mean maybe, you know, maybe  
21 the best way to deal with this is to not try to deal  
22 with it all up front in the qualification time which  
23 is the applicant must certify that they have met with  
24 the applicable criteria they are coming under. But  
25 then the proof would actually occur at such time as

1           you actually have a 248 proceeding.

2                           And as part of this -- obviously it's  
3           not an additional 248 criteria, but that's when the  
4           demonstration -- maybe there is a different time  
5           because, you know, there could be a fair bit of time  
6           lag. And I know the legislature wants to encourage  
7           these sites and/or development of these sites. And I  
8           don't think we want to slow that down, but the  
9           question is what's the best way of doing that and the  
10          most efficient way that accomplishes the legislative  
11          objectives but still, you know, does it in a way that  
12          makes sense.

13                          MR. FOLEY: I think the way you've laid  
14          it out makes sense. I mean we are involved in a  
15          process right now in Richmond where a brown field is  
16          being redeveloped. And the -- there is -- the  
17          developer is required to clean up the site, but he's  
18          not going to clean up the site until he knows he has  
19          some sort of process to move forward and money to  
20          move forward. So he's made a proposal. And the  
21          issue is not you've got to meet the hurdle of  
22          cleaning up the brown field first. You need to clean  
23          up the brown field by the time the building is built.  
24          And I think that's exactly where you're going. They  
25          don't need to -- to say that you need to clean it up

1 before we approve you putting a building up there,  
2 nobody is going to be able to meet that criteria,  
3 allowing these brown fields to just sit idle and  
4 vacant until there is somebody with enough money to  
5 actually clean them up.

6 MR. HOFF: It seems like there is two  
7 of the proposed preferred sites that are problematic,  
8 the third and the sixth, which the third being the  
9 previously developed tract, and the sixth the  
10 disturbed portion of a gravel pit. Most of the  
11 others require certification. The brown field site  
12 in Richmond, for example, is on an ANR brown field  
13 list, so it would be pretty easy to demonstrate, and  
14 certain others require -- you know, sanitary landfill  
15 requires certification of the Secretary of ANR, the  
16 Circle of Natural Priorities List Criteria 8.

17 Those seem pretty easy to demonstrate,  
18 but there is two of them that are a little more  
19 subjective. There's two of them.

20 MR. FINK: Number seven of that list  
21 potentially in that is the municipal plan designation  
22 because it requires that the plan meet any siting  
23 criteria recommended in the plan, which could  
24 conceivably may not be demonstrable at the time the  
25 project is in so --

1 MS. KROLEWSKI: Yes. So I think what  
2 we are looking for here is any clarity that we could  
3 add to those criteria for putting in an RFP. Also  
4 the aspect of maybe that these would be somewhat, you  
5 know, conditional and demonstrated later. So looking  
6 for comment on that aspect, and just in general the  
7 ones that are quite easy to demonstrate versus those  
8 that aren't. Anything that you think would make it  
9 easier to identify a project and also identify just  
10 some of the difficulties or expenses associated with  
11 demonstrating some of these, so if we are going to go  
12 the conditional route, we have some basis for doing  
13 that.

14 MR. WOODWARD: Mr. Fink just raised  
15 number seven there relating to the municipally  
16 designated sites, an interpretation of that would  
17 need to be mindful of the Department's standards with  
18 -- the Department standards for issuing determination  
19 of compliance for their energy plans, both the RPCs  
20 and the municipalities. These are in flux now.

21 One, it's an important thing to keep in  
22 mind is that there will be, you know, the end -- the  
23 final standards will have an expectation that regions  
24 or municipalities specify suitable areas for  
25 renewable facilities to be cited. Preferred can be a

1 subset within that. But you know there could be  
2 conflict in here, you know, if -- depending on any  
3 one municipality's definition of preferred, you know,  
4 in relation to the other standards here, there is  
5 some interaction there. But -- that's just another  
6 thing to watch out for. Probably another argument  
7 for not trying to standardize an RFP up front. I'm  
8 not sure about that.

9 MR. YOUNG: The one thing, you know, we  
10 do need to eventually put out whatever  
11 interpretations we're going to have, how we are going  
12 to do this process and be open about it. And we are  
13 going to have to do an implementation order by March  
14 in anticipation of the next RFP. And so we would  
15 appreciate any comments that you can direct us as to,  
16 you know, how we should be doing this, because I  
17 think from our standpoint it may be that we end up  
18 with a two-stage process, but I think we need to tell  
19 people that that's what we are doing.

20 And for developers they need to  
21 understand up front how this is working. So comments  
22 on -- from everybody on how we should be doing this  
23 would be very -- will be very helpful, because I  
24 think we have been airing the issues here, but from  
25 our standpoint it's putting developers and everybody

1 else on fair notice as to here's what you have to put  
2 into your RFP, and here's the parts that you're going  
3 to have to certify to, and here's the parts that  
4 maybe we will defer to the actual factual  
5 determination later. And I think for fair notice to  
6 all the participants it would be nice to lay out that  
7 as clearly as possible in an implementation order.

8 MR. DAY: Jason Day, Star Wind  
9 Turbines. Is this the only year this is happening,  
10 or is this going to happen every year? Is this a  
11 one-time thing?

12 MR. YOUNG: The statute says one year.

13 MS. ELIAS: Now.

14 MR. YOUNG: Is it going to happen  
15 again? I decline to answer.

16 MR. DAY: It's October, it's going to  
17 snow next month. To get land lined up for this sort  
18 of thing and by spring, by thawing time, it's  
19 extremely difficult. I'm not -- I don't know about  
20 solar but for wind turbines.

21 MR. YOUNG: The only thing I can say is  
22 the standard-offer program was created in 2009. We  
23 have had changes to it not every year, but we have  
24 been getting real close. So is this going to change  
25 next year? I don't know.

1 MR. DAY: Is this going to be kind of  
2 an allocation category of its own that -- and that if  
3 it's not -- if it's a use it or lose it type of thing  
4 like all the other technologies are?

5 MR. YOUNG: Actually the statute  
6 explicitly says that. If it's under subscribed, it  
7 goes into the rest of the RFP.

8 MS. ANDERSON: It seems like the  
9 legislature is trying to see how effective this is  
10 and how quickly we can get these kind of projects out  
11 there. So I think it's a test. It's a test to see  
12 whether they are economical, how quickly we can do  
13 them. And it seems difficult, but the clearer we can  
14 make the RFP, the more successful the program will  
15 be.

16 MS. ELIAS: One of the things that I'm  
17 sort of identifying potentially as an issue is if we  
18 defer as I think we probably should some of this  
19 proof, we need to make sure it doesn't get lost in  
20 the typical application and the typical 248  
21 application. So somewhere, somewhere there needs to  
22 be, I don't know exactly how to do it, but an  
23 affirmative obligation, maybe the tradeoff for not  
24 having to prove it at the time of the RFP is to  
25 impose an affirmative obligation on anybody who gets



1 a standard offer contract under the pilot project to  
2 add a new section to their petition where they allege  
3 the category about they're under in order to entitle  
4 themselves to the preferred location-- the proper  
5 category of preferred location, and the proof  
6 necessary to demonstrate that they qualify.

7 But I'm just a little concerned if we  
8 push it off, and the volume of petitions that get  
9 reviewed by both the Board and the Department, that  
10 if we don't identify this, that this could get lost.  
11 Maybe that's only my concern, but I thought I would  
12 raise it.

13 MS. KROLEWSKI: I think you raise a  
14 good point. And we could certainly also have it as a  
15 filing requirement, you know, so many months after  
16 the RFP even. I mean it doesn't necessarily have to  
17 be folded into the CPG process. It might make sense  
18 to do it that way, but that's something we would be  
19 looking for comments on.

20 MS. ALDERMAN: And part of that would  
21 be tying those deadlines that you just mentioned to  
22 the free funds that they have to provide and when  
23 those get returned. So you want to make sure that  
24 they are on similar tracks.

25 MS. KROLEWSKI: Right. And I think

1 also tying it to the fact that usually we have a  
2 reserve list, so we might have a bad under this  
3 program, so we would have to think how we were going  
4 to tie that altogether. So that really the solution  
5 might be that it's part of the CPG or it might not  
6 be.

7 MS. ELIAS: Just on that theme, and I  
8 see this a lot in the net metering cases a lot, the  
9 more times that you have to come in and learn what is  
10 this project, and what are they asking for, and what  
11 do they need, and when do I need to get it by, the  
12 more chances for things to be lost whether it's in  
13 the net metering context, you have the motions for a  
14 non-substantial change, and you have I want to change  
15 one of the deadlines, and you have I want to change  
16 my group, and I want to change the name. And the  
17 more of these separate things that are apart from the  
18 main body permit, the harder it is to track them.

19 And I know that the Board's ePSB system  
20 once it gets up and running is going to assist us  
21 greatly on this. But in the meantime it's all  
22 individual tracking and pulling everything together  
23 back again and a new person, fresh set of eyes  
24 looking at it, trying to make sure that there is  
25 compliance with that.

1                   So I would encourage the Board just  
2                   preliminarily to think about that when deciding  
3                   whether things need to be in the RFP in the first  
4                   place and whether they should be tagged on to the  
5                   CPG. You know, if it's in the CPG, and it's a post-  
6                   CPG compliance condition, that's easy, but some of  
7                   these things that are unmoored to the CPG process are  
8                   harder to track and resolve.

9                   MR. KNAUER: Seems like a different way  
10                  to look at it could be making these contractual  
11                  conditions and milestones within the contract in  
12                  which case the onus is on the developer to fulfill  
13                  its contract milestones, whatever they may be. And  
14                  the onus is not on the Board and the Department to  
15                  track these, but on the developer, and I know VEPP,  
16                  Inc. is very good at staying on top of all the  
17                  contract requirements.

18                  MS. ELIAS: And given the volume that  
19                  this is likely to be, which I view as small, because  
20                  by the time you get to a sixth, and the economics of  
21                  sizes of projects, perhaps that's not too burdensome  
22                  on VEPPI.

23                  MS. KROLEWSKI: Yeah. I mean the part  
24                  where you're demonstrating is the one sixth; right?  
25                  I'm going to think that the canopy thing is fairly

1 easy to demonstrate. But --

2 MR. FINK: You have to demonstrate that  
3 it remains in use as a parking lot. But other than  
4 that.

5 MS. KROLEWSKI: Yeah. A little lower  
6 bar. I hope.

7 One thing I think I mentioned a little  
8 bit earlier but might add again is do people have  
9 thoughts on if we have these, you know, we have these  
10 set asides. You know, we have price caps currently  
11 on all the technology categories. Is there a need --  
12 and you know, if you don't have thoughts now you can  
13 certainly submit this in your comments. Is there a  
14 need for any separate price caps because of this set  
15 aside?

16 For example, is a solar project more  
17 costly to build on a canopy versus what our current  
18 price cap is? So I don't know if anybody wants to  
19 address that now or just wait for their comments.

20 MR. YOUNG: By the way, in looking at  
21 that issue, keep in mind subsection five which is on  
22 page 32 which basically says, you know, if we use the  
23 market-based mechanism only compare the proposals  
24 that are in the set aside categories for preferred  
25 locations. If we use avoided costs -- have specific

1 avoided costs for that type of project, but -- you  
2 know, that is sited on a location that qualifies for  
3 the allocation.

4 It's not like given there are nine  
5 categories here we are going to set nine separate  
6 avoided costs I don't think. But you know, what's  
7 the best way to implement that? You know, should we  
8 basically because of these provisions be setting a  
9 generic avoided cost price cap for this type of  
10 project, or is that something that's not going to be  
11 feasible given the language in here?

12 MS. KROLEWSKI: Yes, Mr. Garden.

13 MR. GARDEN: So I thought about that.  
14 There is sort of a tug of war going on here. Because  
15 the Board by law is obligated to expedite the  
16 development of renewable energy resources within the  
17 state. You're kind of pressured to make these  
18 projects happen. Developers are trying to find ways  
19 to address the need for renewable energy, and do so  
20 in ways that is compatible with the communities,  
21 compatible with the different agencies, with the  
22 Department. We clash a lot, it seems to me in my  
23 experience. And when we try to do what we think is  
24 right by going to a preferred site, the pressure  
25 becomes bigger between our trying to get things done.

1           Because the different agencies want to protect a  
2           super fund site so that nothing happens. But it's  
3           the ideal place maybe to put solar because who in the  
4           community is going to feel like, you know, we're  
5           desecrating the beautiful countryside by taking an  
6           already blemished site and putting a solar array on  
7           it.

8                           And yet at the scale we are talking  
9           about, and scale is everything in renewable energy,  
10          it's so difficult to effectively finance a 500-  
11          kilowatt project at the same rate, let's say in this  
12          last year's standard-offer project I think our cap  
13          was 13 cents or so on solar. You know, a utility in  
14          this state can do a five megawatt for 13 cents or  
15          more. And nobody questions it. And five megawatts  
16          is scale, and the opportunity to use economies of  
17          scale for the pricing just says, you know, it's not a  
18          level playing field.

19                          Standard offer program is great in that  
20          it's getting renewable energy put in place, but it  
21          never contemplated that utilities on their own were  
22          going to go do their own projects and could name the  
23          price that they felt was fair and retain the RECs.  
24          And I say retain. I mean control and sell out of  
25          state. Do whatever they want with the RECs. And

1           there might be a consequence to that like an ACP of  
2           one cent.

3                         But financing renewable energy is  
4           incredibly sophisticated and difficult. And  
5           standard-offer program is great, but it almost feels  
6           like going towards preferred sites is really what you  
7           want to do. It's what the legislature is saying, we  
8           want to do this. There is too much pressure on  
9           communities who are seeing the green fields  
10          developed, so let's start putting more of these  
11          projects into disturbed sites, maybe super fund  
12          sites, maybe gravel pits, maybe whatever.

13                        But the cost difference between putting  
14          a small standard- offer array on a site that used to  
15          be a warehouse that got torn down, it's a disturbed  
16          site, now you can develop that. There is no  
17          contamination, no anything, is night and day what it  
18          might cost me if I want to put a 500 or 600-kilowatt  
19          standard-offer project on a super fund site, because  
20          scale is everything. And it could cost me \$250,000  
21          just in environmental studies to do a super fund  
22          site. I don't want to do that. And yet the state --  
23          the legislature wants them there.

24                        So I think a duty of the Board, right,  
25          is to work out a way to say we want these, we will

1 pay a premium for these. Nobody wants to say that in  
2 standard offer because every year you come out with a  
3 cap, you're pushing it down. You're making us  
4 compete against each other.

5 As a current developer of two  
6 standard-offer projects at sub 11 cents trying to do  
7 well, do right, one in a gravel pit, it's incredibly  
8 difficult, and I'm competing against utilities who  
9 are being paid 12 and-a-half to 13 and-a-half cents  
10 for their five-megawatt project, where it's going to  
11 cost them considerably less to build. And it's the  
12 same financing community out there who are looking to  
13 be our investors. Where would you want to invest? I  
14 would want to invest in the one that's going to give  
15 me the highest return on investment. That's the one  
16 that cost less to build.

17 MR. YOUNG: Does trigger the question  
18 that we sort of teed up which is should there be  
19 caps? You know, should we be thinking of avoided  
20 cost capital? If we do, should we be setting it by  
21 categories? What you're basically saying is you were  
22 focusing on economies of scale, but you also raised  
23 the issue of additional environmental costs of going  
24 into a preferred site. That in fact, all of the  
25 assumptions we have made in the standard-offer price



1 caps may not apply, and that there may be some very  
2 different things which would seem to weigh against  
3 any cap, you know.

4           And I think -- I would just -- I think  
5 we would like to hear comments from everybody.  
6 Should we have no cap, is it okay if somebody bids in  
7 for a solar plant at a preferred site at 40 cents  
8 when your opportunity value last year we had somebody  
9 bidding in at seven and-a-half cents. But that may  
10 be the implications if you have no caps, and we would  
11 like to hear what everybody says. You know, if  
12 that's what -- if that's the policy recommendation  
13 that people think in terms of implementing this,  
14 please comment, because -- and say that, because the  
15 statute doesn't give us specific guidance on whether  
16 we should or should not have caps.

17           We are asking that question, and the  
18 Board's going to have to decide yes or no, where do  
19 we set them? How do we do that? Is there a limit to  
20 how much of a premium you're going to pay on a  
21 preferred site? Should there be a limit? And --

22           MR. GARDEN: I would answer that there  
23 should be a limit. And I know Jeanne Elias, who has  
24 worked so hard every year to try to contain the cost  
25 of these projects would say you just can't have it

1 unlimited and on cap. But I don't know today what is  
2 a fair cap for somebody who wants to put a, you know,  
3 a standard-offer project on a super fund site. I  
4 don't know. I can't say today what that price should  
5 be.

6 MS. KROLEWSKI: Yes.

7 MR. KLEIN: So from the legislative  
8 point of view, I'm finding this fascinating. I would  
9 disagree with Tom a little bit. I would say no cap.  
10 And I would say no cap because when these policies  
11 are being debated at the state house they're being  
12 debated in a vacuum, and more legislators need to be  
13 sitting in something like this and understand the  
14 real realities of the world. And when you're looking  
15 at the standard offer, which in the world of total  
16 capacity is very -- it's a very small amount, so I  
17 know that the mentality at the legislature was we  
18 want the preferred sites. We don't really care about  
19 the cost at that point. Okay. They don't care about  
20 the cost until the cost becomes real, and then they  
21 scream. But the cost should not be a burden when  
22 you're talking about, you know, three quarters of a  
23 megawatt for small wind, for example, or whatever, or  
24 seven megawatts for the whole program.

25 So I would encourage you to let the

1 market establish what the real cost of developing on  
2 these preferred sites is, and then the real world of  
3 the legislature and the public at large can determine  
4 whether maybe they don't mind looking at it in an  
5 agricultural field if the cost is that different.

6 MS. ELIAS: Can I just say on behalf of  
7 the Department of Public Service and the ratepayer  
8 advocacy arm that opening it up to no cap does have  
9 some significant problems, and in a small state with  
10 a limited developer community, I fear that taking off  
11 the limit with caps could put a big burden on  
12 ratepayers who have to buy all the power that gets  
13 generated under a standard-offer contract prorata,  
14 you know, for load. And I'm concerned about that  
15 from the ratepayer perspective.

16 MR. KAPLAN: What does that math look  
17 like? What is a 10 percent range? Because you're  
18 really talking about whether it gets, you know, well  
19 there are two things. I think there is the absolute  
20 auction, which is what Tony was saying, and there is  
21 no cap, or there is a bracketed auction; right? And  
22 so the auction has a -- this limit to the top. And  
23 it could be pretty high, but it would still limit.  
24 But what is 10 percent on seven megawatts? Or 10  
25 cents on seven megawatts impact on the rate for the

1 entire state?

2 MR. YOUNG: I think it's -- nobody has  
3 done the numbers. We can run the numbers.

4 MR. KAPLAN: But order of magnitude.

5 MR. YOUNG: But for the amount of  
6 capacity you're looking at here, the -- I think, you  
7 know, correct me if I am wrong out there, but the  
8 effect on rates of even paying, you know, I threw out  
9 some 40 cents or something like that, even paying 40  
10 cents for a single 750 KW project is going to be  
11 trivial. I mean you're not going to see it. It's  
12 when it becomes cumulative.

13 Sean.

14 MR. FOLEY: The utilities do over 800  
15 billion dollars in revenue a year. So it's --

16 MR. YOUNG: Any individual plant --

17 MR. FOLEY: That's not the point that  
18 Jeanne is making. There is a cumulative effect with  
19 a lot of different generation resources. To ignore  
20 one just because it's a minute in terms of the total  
21 generation resources the utility looks at, is not a  
22 good economic argument.

23 MR. KAPLAN: Or policy, maybe right.  
24 But the idea that you're also now serving two  
25 masters, you're cleaning up brown fields and you're

1 creating renewables. You know, that's a -- maybe the  
2 burden shouldn't be -- I don't know where the burden  
3 should lie, but you know, having developed a number  
4 of brown field sites you get into a brown field site,  
5 and it's very hard to know what the end cost is  
6 because there is nothing that has been able to -- on  
7 certain ones, there is nothing that can look in and  
8 see the full scope of that problem or the time that  
9 it would take.

10 I also think about you're going to have  
11 -- if you're going to put canopies, there is a fixed  
12 cost to that. So this program as you're discussing  
13 it will kind of favor certain types, given there is  
14 enough risk in this development, environmental array,  
15 you would then -- you're asking for another level of  
16 risk to be infused. And I just think it's going to  
17 be very hard to try and take on a brown field site  
18 when you're competing with fixed costs in those  
19 areas.

20 MR. YOUNG: Well two quick comments on  
21 that. You mentioned canopies. Number one, canopies  
22 we actually do have the authority on any project to  
23 simply change the price. That's specifically in the  
24 statute. So if we think somebody comes in in a  
25 canopy too high a level notwithstanding their bid, we

1 can simply say we are accepting it at a different  
2 rate.

3 MR. MARREN: George, isn't that only in  
4 a case where there is only one proposal or proposals  
5 for one developer?

6 MR. YOUNG: From a single developer;  
7 that's correct.

8 MR. MARREN: It's a unique scenario  
9 there. It's not just any bid.

10 MR. YOUNG: It's a specialized  
11 scenario. Apart from that, I think the reason we are  
12 teeing this up is we are trying to figure out how to  
13 best effectuate what the legislature has told us to  
14 do. And we appreciate your time -- Tony's comments  
15 here, on you know, on the point.

16 I will -- not to say anything negative  
17 of you, Tony. We still have to apply the words here  
18 as opposed to your intent, much as we might  
19 appreciate what you were aiming for here. But I  
20 think that is useful discussion of the trade-offs,  
21 and how do we best do this, and we are looking for  
22 everybody to tell us the best way to balance it. You  
23 know, the fact is if the brown field site -- if the  
24 brown field sites are likely to be a whole lot more  
25 expensive, they may not even win the bids if there

1 are other people putting preferred sites on a less  
2 expensive gravel pit. So there may be -- some of  
3 that may get mooted out depending upon how this plays  
4 out.

5 Right now we are looking for input, and  
6 this is actually very helpful in terms of the  
7 trade-offs between no cap, ratepayer interests, and  
8 --

9 MR. FOLEY: Could you use the Board's  
10 decision on the current net-metering rules to inform  
11 the premium that you might pay to develop preferred  
12 sites?

13 MR. MARREN: I mean to some extent, but  
14 the net-metering program is only for -- it was geared  
15 towards smaller projects, and here we are talking  
16 potentially towards a one megawatt project. So --

17 MR. FOLEY: Well might have some 500  
18 KW.

19 MR. MARREN: Well there is an -- in the  
20 case of the net-metering program 500 KW projects were  
21 receiving less than the retail rate, so it was a bit  
22 of a cost containment effort for those types of  
23 projects.

24 MR. FOLEY: There still is a premium on  
25 the 500 K if you're on a preferred site.

1 MR. MARREN: As compared to if you're  
2 not, and I think it was three cents.

3 MR. FOLEY: No. I think it was a  
4 penny.

5 MR. MARREN: It was a penny. Okay.

6 MR. FOLEY: Three cents for RECs.  
7 Penny for the site.

8 MR. MARREN: For the siting.

9 MR. FOLEY: I mean you could at least  
10 start there saying, hey, there is a preferred penny  
11 per kilowatthour for net metering. What does that --  
12 I'm not saying that that's the right number. I'm  
13 just saying it might be a starting point.

14 MR. MARREN: It definitely was a  
15 starting point in terms of the net metering program  
16 because the intent is to have periodic reviews of  
17 those price adjustments and seeing if they are  
18 working or not. So this is as a one-off at least,  
19 you're kind of -- you don't have that follow up to  
20 adjust later.

21 But also does the Board have to use a  
22 competitive pricing mechanism? The Board also could  
23 set avoided cost, set a price, and accept bids, and  
24 just by lottery pick who gets the contract. I'm not  
25 saying I think that's the best way. I'm just



1 pointing out the statute does not constrain us to  
2 doing an auction, so people should think creatively  
3 about what's the most sensible way to approach this.

4 MR. YOUNG: The down side to that, it's  
5 specifically in the statute there is an option. The  
6 down side is we then have to set a separate price for  
7 each of the nine categories, which I'm sure all of  
8 you are interested in providing recommendations on  
9 that type of pricing.

10 MR. KNAUER: To follow up on Mr.  
11 Garden's comments about scale, when we set the price  
12 caps for the general RFP for solar, we assume an  
13 efficiently sized unit at 2.2 megawatts. Well 2.2  
14 megawatts inherently is not responsive to a 1.0625  
15 request.

16 So people should feel free to comment  
17 on whether there should be an adjustment specific to  
18 the preferred location size that we are looking at.

19 MS. KROLEWSKI: And some of the  
20 mechanism we use to set the price caps could account  
21 for some of these costs people are identifying to  
22 come up with a new price cap for that category. So  
23 you know, factors that, you know, require more land  
24 acquisition cost, whatever, the tool we are using  
25 right now certainly could allow for that.

1 MS. BAILEY: So I think it's certainly  
2 appropriate to have a price cap. I think VPPSA would  
3 argue that one price cap for all preferred locations  
4 is going to be preferable, and that's going to allow  
5 for competition and the siting and the lowest cost  
6 preferred locations. I think that's still consistent  
7 with statute.

8 I think the case for a separate price  
9 cap for these is certainly strong, and that would be  
10 appropriate. The other consideration, is as you  
11 mentioned, 2.2 megawatt project has different scale  
12 from a smaller one. The Board might have to revisit  
13 the precedent on accepting larger projects when a  
14 smaller amount is solicited. I think in the  
15 technology allocation order the Board specifically  
16 said while this is your allotted technology  
17 allocation, we are going to consider 2.2 megawatt  
18 projects.

19 And the -- certainly the economics of  
20 those would be different. The impact on ratepayers  
21 will be different if we literally are talking about  
22 40 cents a kilowatthour, 2.2 megawatt project has a  
23 much bigger impact spread across, you know, different  
24 categories.

25 MR. KNAUER: Something that I wanted

1 people to specifically comment on is whether the one  
2 sixth for the preferred site and one sixth for the  
3 canopy, is that a hard ceiling in terms of capacity,  
4 or should the Board allow a project that goes above  
5 that? It would be great to hear from interested  
6 people on that.

7 MR. KAPLAN: Is it within the -- is it  
8 within the capability of the Board to say that, you  
9 know, a preferred site would just get an adder to  
10 what's already existing as opposed to kind of  
11 recreating, just saying there is a value to preferred  
12 sites. There is already a market that's been  
13 established for each of the categories. So that you  
14 would take X cents and put it on top of each one as  
15 the then preferred cap for each category?

16 MS. KROLEWSKI: I think that's kind of  
17 what Mr. Foley was potentially getting at.

18 MR. KAPLAN: Oh I'm sorry. I didn't  
19 understand that.

20 MS. KROLEWSKI: I think we could do  
21 that. I don't think we are limited.

22 MR. YOUNG: I'm trying to think about  
23 whether we could. If we might have to be creative,  
24 but it might be a basis for doing it.

25 MR. FINK: It could be a method for

1 setting avoided cost effectively.

2 MR. YOUNG: I think you would do that  
3 basically using the avoided cost method. What was  
4 the paragraph? Number 5 sub B. And basically when  
5 we are doing the specific avoided cost for that, you  
6 know, for the distributed generation that's sited on  
7 a preferable location, you use that mechanism. So  
8 I'm exercising my normal lawyer caution before I  
9 thought through all this. I'm not giving an answer.  
10 But there are probably creative ways of doing this.

11 By the way, just following up on  
12 Melissa's comments, I go back to what I thought I was  
13 going to say a minute ago. Again, to the extent we  
14 are looking for particular caps, the one thing in our  
15 thinking about caps -- the one thing I would ask  
16 people to think about is how that might affect all  
17 the different categories in here. Because I think we  
18 had the comment that maybe brown field sites are  
19 really expensive to develop. You know, if we set a  
20 cap, you know, say an adder, for example, of four  
21 cents, which is essentially the same as a cap, just  
22 doing it the other way around, are you effectively  
23 precluding certain types of development that the  
24 legislature might be trying to encourage? And I  
25 don't have an answer to that. But you know, please

1 think about that in putting your comments in and  
2 making recommendations to us.

3 MR. BREEN: One observation in support  
4 of the argument for no caps is that this is after all  
5 a pilot program. And so if you get the pilot program  
6 done, and you don't like the results because the  
7 prices are too high, then maybe you don't do this  
8 anymore.

9 MR. WOODWARD: One of the benefit of  
10 those --

11 MS. KROLEWSKI: I was just going to  
12 add, but of course if you don't have caps, you're  
13 also sort of invited to be somewhat more expensive  
14 than it needs to be. I mean maybe I'm not saying  
15 that we don't have to have caps, but there is a  
16 tradeoff there; right?

17 MR. BREEN: Well there is an argument  
18 by a fellow named Adam Smith that says people and  
19 their vested interests are going to want to get the  
20 project so they are not going to bid too high.

21 MS. KROLEWSKI: I would use the example  
22 of the small wind category. We get bids each year in  
23 that category, and they are all at the price cap. So  
24 you might argue it's not as competitive as maybe it  
25 could be.

1 MR. WOODWARD: It's difficult to gauge  
2 how much price discovery would actually happen for  
3 these categories that's related. But I was going to  
4 ask for the benefit of those like me who weren't  
5 really there in the proverbial room at the time when  
6 we went to the auction mechanism, any reprise of the  
7 thinking there, I'm wondering if there is something  
8 to learn as we talk about this now. What was the  
9 impetus -- collective impetus for going in that  
10 direction.

11 MR. FOLEY: The prices were really  
12 high.

13 MS. ELIAS: The lottery.

14 MR. YOUNG: Well actually the primary  
15 impetus was the statute change that gave us the  
16 authority to do market-based mechanism. And I think  
17 there was some suspicion -- we had been in this  
18 situation from the original program. The default,  
19 you know, the default rates that were for solar, for  
20 example, that were in the statute when it passed in  
21 2009 were 30 cents. And we had been doing annual  
22 price caps settings, you know, the first year we  
23 dropped it to 26. It then climbed back up a little  
24 bit. Then as you watched the trends, it seemed very  
25 clear to us the trends there and the trends in other

1 developments that our price setting was behind -- was  
2 constantly behind the curve. And you were getting  
3 development, but we are paying a lot more than really  
4 was the avoided cost and whatever was going on in  
5 terms of methodology.

6 So the option was presented to us by  
7 the legislature in the 2000 -- well we did it in  
8 2013. It would have been the 2012 statutory changes.  
9 It seemed like actually a much better idea to let the  
10 developers tell us what the market price was rather  
11 than us finding out what the market price was, so we  
12 set caps to ensure that it wasn't too high. But you  
13 know, this is a place where you have people  
14 competing, and that's probably a much better way to  
15 find out where the market is, in general.

16 So it seemed like a really positive  
17 development from the legislature, and I think there  
18 was pretty much consensus that it was a good idea to  
19 go that route.

20 MR. KNAUER: George, I think I'll  
21 clarify, you characterized it as an option for the  
22 Board. I read the statute saying the Board shall use  
23 a market-based mechanism, if it's applicable, if it's  
24 consistent with applicable federal law and consistent  
25 with the goal of timely development at the lowest

1 feasible cost.

2 MR. YOUNG: Unless it finds certain --  
3 you know, there was a direction. Correct. I'm not  
4 going to argue with the statute. There was an out.  
5 The Board could have found that it wasn't going to  
6 produce it. But the evidence, you know, it was the  
7 right -- it made sense.

8 MS. KROLEWSKI: And the auction -- the  
9 RFP seemed to demonstrate that.

10 MR. DAY: So what happens if you have  
11 an allocation and you set an avoided cost and nobody  
12 bids because it's too low? What do you do then?

13 MR. KNAUER: We have had that scenario  
14 multiple times in the past, and we have been -- we  
15 have asked people in the next year what's going on  
16 here. Is it a problem of these projects just take a  
17 long time to develop, longer than the several months  
18 from the price determination to the RFP, or is it as  
19 you say, the price cap was too low.

20 MR. DAY: Correct.

21 MR. KNAUER: So we ask developers to  
22 show up and explain to us what happened.

23 MR. YOUNG: But --

24 MR. DAY: What do you do? So if nobody  
25 shows up, then it stays the same? Or do you -- if



1 somebody shows up and say, you know, we need the cap  
2 to be raised, so that we can attract more developers.  
3 Is that reasonable?

4 MR. YOUNG: That's what we are doing  
5 today. Actually that's what this proceeding is  
6 about. We are resetting the cap in each of the  
7 categories. If somebody wants to come in and say,  
8 hey, the reason you're not getting any hydro  
9 development is because the cap's too low, they can  
10 come in and demonstrate that the cap should be  
11 changed. I mean that's precisely the process we are  
12 kicking off today which is to reset that cap.

13 To date, you know, certain categories  
14 we haven't seen a lot of development. We are not  
15 seeing landfill, you know, landfill projects. Well  
16 part of the problem is we have developed -- the  
17 landfills have been developed, there aren't any out  
18 there. We are not seeing hydro. We are not seeing a  
19 lot of biomass projects.

20 MS. KROLEWSKI: And farm methane.

21 MR. YOUNG: Or the farm methane. So  
22 you know, the development has actually been  
23 concentrated in relatively few projects, and if we  
24 need to reset rates, that's precisely what the --  
25 this process is to do. And in the last couple years

1 it's been, you know --

2 MR. DAY: Because after all it is a  
3 development project. I mean isn't the objective to  
4 develop these forms of energy, to get them produced  
5 and find a way to site them? And then by volume,  
6 then over time just like solar, happened with solar.  
7 The price comes down as it becomes competitive. Just  
8 a thought.

9 MR. YOUNG: And if you want to present  
10 evidence, I mean I know you do wind turbine  
11 development, if you wanted to present evidence that  
12 the current cap for the 500 K, you know, the small  
13 wind category is, you know --

14 MR. DAY: No. I'm not talking  
15 specifically for small wind. I'm talking about all  
16 the categories. If I were a methane developer or a  
17 hydro developer I would say, wow, I thought about the  
18 biofuel, coming up with a CHP generator, but it's not  
19 enough money in it.

20 MR. YOUNG: And basically that option  
21 is there every year. We go through this process  
22 every year and allow people to present evidence. The  
23 last time people raised, like you just raised, like  
24 the biomass, we litigated that back in was that 2009  
25 and 2010 order, I believe. You know, and we heard

1 evidence on that. I don't think we have had a lot of  
2 evidence since then on that category.

3 MR. DAY: So how do you know? I'll  
4 just talk about the small wind category has not been  
5 filled out yet. Okay. In other words, they still  
6 haven't been able to get, you know, for whatever  
7 reasons a small wind turbine up yet. So I might  
8 argue that I'm having a hard time finding developers.  
9 Okay? If that -- if I could get no cap, the price  
10 might go up, the bid price might go up temporarily  
11 until everybody became competitive, and then the  
12 market-based mechanism then by its nature brings the  
13 price down. Just like it did for solar.

14 MR. YOUNG: We will be free -- submit  
15 your comments and take -- put your recommendations in  
16 for where we need to go. I mean I'm not -- this is  
17 not the place for us to get into a debate about what  
18 the right pricing methodology. I was explaining to  
19 you what has been done. If you think that ought to  
20 be changed, advocate for that change. Tell us what  
21 we should be doing that's different, and we will take  
22 comments from everybody else, and read your  
23 conclusion on there.

24 MR. DAY: I'm just commenting on the  
25 general idea of having no cap. That having no price

1 cap. No avoided cost cap.

2 MR. YOUNG: For any category.

3 MR. DAY: I don't think -- I'm not a  
4 solar developer. I don't think it would affect the  
5 solar bids at all because they are way below their  
6 cap. And I'm not saying that it would affect small  
7 wind turbines. I don't know. But I'm just saying  
8 that if there were no cap, you know, it might be very  
9 interesting what would happen. Small wind turbines  
10 they might fill it out, they might be bidding a  
11 little bit more, but eventually the idea is that we  
12 get them going. We learn all the trial and errors  
13 and the learning curve of going through the process,  
14 getting the CPGs, and building the turbines,  
15 installing them, and then, you know, over the next  
16 six years we get the price down. We can't do it  
17 unless we get going.

18 MR. YOUNG: All I can say is if that's  
19 what you think needs to happen, or the cap is wrong  
20 or something of that sort, then tell us that in your  
21 comments. Please tell us that. We have heard your  
22 comments here. We will take it under consideration.

23 Everybody else should comment. We  
24 encourage you to put it in your comments, number one.  
25 What I would say is take a look at the Board's

1 rationale in the 2013 order, March of 2013 for why  
2 price caps were appropriate under the statute and  
3 tell us why we should change that.

4 MR. DAY: Okay.

5 MR. KNAUER: All right. So I think we  
6 have exhausted the first agenda item. The next one  
7 in the memo asks what do we do now? Last year we  
8 established a technology allocation mechanism. And  
9 now we have -- out of the seven and-a-half megawatts  
10 now we need to allocate a third of that to preferred  
11 locations and parking lots. So how do we revisit the  
12 technology allocation mechanism? And people are free  
13 to comment now or to file written comments.

14 Would it be useful to the room to --  
15 for me to reiterate what the Board decided last year?  
16 I see nods. So the Board decided that there wouldn't  
17 be a specific technology allocation within the  
18 provider block. So all the technology allocation  
19 happened within the developer block. And there is  
20 6.375 megawatts available. The Board said we are  
21 going to have one category of 2.2 megawatts. And the  
22 Board turned with that the price competitive  
23 developer block, any technology could bid into that.  
24 In practice that seems like that's going to be a  
25 solar project.

1                   For the remainder the Board said the  
2 remaining capacities, 6.375 minus 2.2, the remainder  
3 will be divided equally among all the other  
4 identified technology categories. So that's large  
5 wind, small wind, food waste, digestion, hydro,  
6 biomass and landfill. The result of that is there is  
7 just under 700 kilowatts available to each of those  
8 technology categories.

9                   That's a brief explanation of the  
10 existing allocation, and it seems as though something  
11 there is going to have to change to allow for the new  
12 pilot program in 2017.

13                   MR. MARREN: Tom, is it fair to say  
14 that the choice -- that one of the choices the Board  
15 has to decide is whether the Board's going to  
16 continue to have small allocations, and next year  
17 they would be even smaller than 700 kilowatts for all  
18 of these various technologies. Or should the Board  
19 be maybe picking one technology for a set aside and  
20 concentrating the available capacity so that you  
21 actually get a project at scale that is at a lower  
22 cost. Because if you're just soliciting a bunch of  
23 teeny little projects, you're more likely to end up  
24 with a higher cost portfolio.

25                   But if we just said, you know, this

1 year is going to be the wind year, and we are going  
2 to set an avoided cost cap for that, and there is  
3 going to be, what is it, four megawatts available for  
4 wind. There you might get more market interest  
5 because there is actually a market. Where you have  
6 only 700 kilowatts or less available, how much  
7 interest is there going to be in that small of an  
8 allocation?

9 So that's one thing to think about is  
10 do we have to allocate it amongst all these  
11 technologies, or should we be choosing one, or not  
12 doing any allocation this year because of the limited  
13 capacity available.

14 MS. KROLEWSKI: Right. And just for  
15 benefit of folks, the -- to date what projects we  
16 haven't -- like what technologies haven't received a  
17 standard-offer contract, I think are food waste,  
18 large wind --

19 MR. MARREN: Large wind got one last  
20 year.

21 MS. KROLEWSKI: You're right. Sorry.  
22 I'm going to say have actually been built.

23 MR. YOUNG: We had a food waste last  
24 year also.

25 MS. KROLEWSKI: I think that's the only

1 -- the only two categories where we haven't seen a  
2 project come online as well as small wind. Just  
3 getting -- and then I would also add too something  
4 that affects some of these technology categories is  
5 the price caps that we have. So the -- what is  
6 called the price competitive developer block,  
7 actually the large wind and the solar are the two  
8 lowest price caps.

9 MR. KNAUER: All right. So all options  
10 are open in terms of how the Board should consider or  
11 reconsider the technology allocation. Yes.

12 MR. DAY: How can small wind turbine  
13 participate on these preferred sites? I mean give us  
14 a category that we can -- I can put a small wind  
15 turbine. I mean does a small wind turbine -- is it  
16 really applicable, or is this something that was -- a  
17 law was drawn up because of large solar fields and  
18 taking up good farm land?

19 MR. MARREN: Mr. Day, just to clarify  
20 we are talking about the general program allocation  
21 not just --

22 MR. DAY: Okay. I thought you were  
23 talking about taking out --

24 MR. MARREN: No. We are talking about  
25 actually the remaining four megawatts that's outside



1 the pilot project, how is that going to get divvied  
2 up. Is it going to get divvied up amongst  
3 technologies.

4 MR. DAY: If there is 696 kilowatts for  
5 small wind turbine so that's -- we're over the topic  
6 that that other pilot program is going to affect  
7 that?

8 MR. KNAUER: No. What I'm asking now  
9 is what I mentioned a few minutes ago. That's how  
10 the Board decided last year that it was going to  
11 allocate the technology before there was any concept  
12 of the preferred location.

13 MR. DAY: I guess one quick comment is  
14 that the odd number, 696, is a problem because of our  
15 technology is in 25 kilowatt increments. So for me,  
16 700 kilowatts even number works better than 696.

17 MR. MARREN: Tom, can you refresh my  
18 memory? Did the -- the reason why the Board did the  
19 technology allocation last year was because while the  
20 standard-offer program has been going for several  
21 years, there were several technologies where we had  
22 yet to award a contract to that technology. And the  
23 statute requires us to allocate two of these various  
24 technologies. We wanted to implement that feature  
25 but this year, -- as a result of last we are -- we

1 now awarded contracts to large wind and food waste or  
2 to buy waste. So is there even a need to allocate  
3 this year?

4 MR. KNAUER: Someone could argue that  
5 now that at least one contract has been awarded to  
6 all categories, someone could argue that the  
7 statutory mandate has been fulfilled. I'm not going  
8 to make that argument. We have also heard that --  
9 arguments against your earlier proposal to allocate  
10 four megawatts to any particular category, because we  
11 don't want to see lumpy development opportunities for  
12 specific technologies. If you know that there is a  
13 continuing market going forward, it's more likely to  
14 support that development market.

15 MS. ALDERMAN: Can I ask a question?  
16 Is the requirement for technology diversity to award  
17 contracts, or is it -- is the metric to actually get  
18 the projects built?

19 MR. KNAUER: I'm going from memory. It  
20 says: "The Board shall allocate the capacity of the  
21 program."

22 MR. YOUNG: The statute says: "The  
23 Board shall allocate 127.5 megawatts cumulative plant  
24 capacity of this subsection among different  
25 categories of renewable energy."

1                   So we are supposed to create an  
2 allocation of the whole 127.5. Which is the initial  
3 50 and then the annual, you know, the 10-year period  
4 of annual rising. So it doesn't say what the  
5 mechanism is for doing that. It says the minimum  
6 categories that have to be considered, which is why,  
7 you know, as Tom and Jake were saying, the first few  
8 years we just let the program run. And then started  
9 looking to see what needed to be done, to whether we  
10 needed to somehow put our finger on the scale to make  
11 sure you were getting some allocations. And that was  
12 based upon everybody's comments a year ago when we  
13 did that order.

14                   And I think the questions being posed  
15 is do we keep going that direction, do we say, gee,  
16 we have got something, or do we say, you know, this  
17 year with a third of the program being reallocated  
18 for pilot programs, do we just not worry about it  
19 this year at all and take all the caps off.  
20 Obviously doing something like that has implications  
21 for technologies, and I'm thinking Mr. Day here,  
22 technologies that tend to be more expensive. You  
23 know, if they are competing with solar they might  
24 have a little bit of a problem.

25                   MR. GARDEN: So the past two years a

1 lot of time and effort was spent to create these  
2 categories in the hopes that there could be more  
3 diversity in renewable energy. I know there was some  
4 comments, one in particular, to grow the wind  
5 category, and that was done at the expense of let's  
6 say solar. But I don't know about anything that's  
7 come out of that. So what does that really do for  
8 the program to be allocating to a technology that  
9 doesn't seem prepared to be able to address the  
10 obligation of the Board to expedite the development  
11 of a renewable energy resource? If the expertise is  
12 not there, if the technology is not there in a  
13 category, why would anybody consider putting more  
14 allocation to it the next year when it can't  
15 demonstrate from the year before that it's prepared  
16 to participate in the program at a level that is  
17 meaningful. Anyways.

18 MR. KAPLAN: I can answer that. You  
19 know I think the intent if it, I mean what you said  
20 about allocation seems like when you actually get to  
21 the words is almost a bit of an interpretation.  
22 Because the words were, and I think -- I don't think  
23 it's too much of an assumption that it's about  
24 actually developing the technology. And that the  
25 role here and the incentive is to actually encourage

1 new technologies. And if one technology in the time  
2 frame of five years is a little bit more advanced,  
3 that isn't necessarily a big difference in the scheme  
4 of what we need -- what we have for energy needs  
5 going forward for hundreds of years.

6 And is that -- is the idea -- going  
7 back to this question of is the intent to just  
8 allocate, or is it to actually see it built, that's  
9 an interesting -- is that too big an assumption to  
10 think that the intent was to see it built?

11 MR. YOUNG: The intent on all these is  
12 to see it built. Allocation without, you know,  
13 without result, I mean obviously the amount gets  
14 reallocated back into the program in subsequent  
15 years, so it actually doesn't go away. But the  
16 legislature's goal was to get the stuff built, and  
17 the program design that -- everything we have done in  
18 terms of program design is intended to get things  
19 built. When we set a price cap for the -- I'll use  
20 the example the small wind categories -- based upon  
21 what people have presented as evidence as to what the  
22 cost of building that is. If that's wrong, then  
23 people should tell us. And we will, you know, relook  
24 at the cap, but it's not to have a -- bids without  
25 construction don't really advance any goals.

1 MR. DAY: I would like to add on to  
2 that. If it's not the program -- a development  
3 program to develop a robust -- of multiple -- a  
4 robust system of multiple technologies, not just one  
5 technology. And by saying, for example, that you  
6 have one small project, one wind turbine up, does  
7 that mean that you've satisfied the, you know, the  
8 term development? Have you developed a technology?

9 The cost of -- that were given to solar  
10 over the first three years of the program were  
11 somewhere in the neighborhood of 26 cents I think.  
12 It was -- and they had three or four years of  
13 development before it became a market-based  
14 mechanism. And therefore, they had, you know, a  
15 great head start on getting their learning curve out  
16 and getting their costs down. And so should you not  
17 also give that opportunity to the other technologies  
18 to see if they can have four years of development and  
19 perhaps do the same?

20 MR. GARDEN: May I just clarify. The  
21 best I understand in 2009 and 2010, in the first  
22 lottery, it wasn't technology specific. Gentleman  
23 has just referenced that solar got 26 cents or  
24 something. It wasn't a solar lottery. It was a  
25 renewable energy lottery, and any technology was

1 welcome to bid in to that project for a PPA as I  
2 understand it, I recall. So it wasn't like solar got  
3 a four-year running start, and now we owe the wind  
4 industry something. It wasn't that anybody was  
5 trying to hold back wind or hold back hydro, and  
6 somehow make solar pull the freight. It was just how  
7 the market dictated. It was ready to move forward.  
8 And it was all done in the context of we want to  
9 close Vermont Yankee. We want to perpetuate more  
10 renewable energy.

11 I think it's great. I hope wind takes  
12 off. But I would disagree that anybody at any time  
13 at the legislature, at the Board, or at any other  
14 agency has ever said that, you know, let's hold back  
15 one technology in favor of the other as being  
16 applied.

17 MR. DAY: Well it is a development  
18 program. It's not a production program. I'm sure  
19 there would be other more efficient ways of producing  
20 cheap energy if it were not for --

21 MR. GARDEN: It is all about  
22 generation. It's not about allowing you to come in  
23 and say you want to build a factory and build a  
24 business that's great. We all want that to happen  
25 and be successful. But the idea is to generate

1 renewable energy.

2 MR. DAY: I disagree. It's not just  
3 about me. In the beginning the pilot program started  
4 out with the rules that no one technology would have  
5 more than 25 percent of the total capacity. And the  
6 purpose was to develop a robust category of energy  
7 technologies, not just one.

8 I mean you might argue that solar has  
9 gotten down to seven and-a-half cents so therefore,  
10 you know, perhaps solar doesn't need any more  
11 development money. They have already achieved pretty  
12 much success.

13 MR. YOUNG: Can I just sort of jump in  
14 here? We are getting back to the -- sort of the  
15 theory of the whole program and the basic construct.  
16 If people want to, you know, sort of re-raise that, I  
17 think the based upon comments that have happened  
18 before, and hearings that the Board held, and  
19 deliberations that occurred before, the Board adopted  
20 the market-based mechanism with price caps back in  
21 2013. If people think that that's not the right way  
22 to go, please put in comments. If you're going to do  
23 that, what I would ask you to do is please look at  
24 the statute in terms of the price piece, subsection F  
25 of 8005a, because it talks about a couple different



1 things which is we are supposed to use a market-based  
2 mechanism. If we find it's consistent with the goal  
3 of timely development at lowest feasible cost. Let's  
4 not read that term out of the statute. It also  
5 basically says we should set avoided cost if we find  
6 the pricing mechanism for the market-based mechanism  
7 is likely to result in prices higher than that would  
8 apply if we used avoided cost.

9 There was a rationale that led to what  
10 the Board did in 2013. If you think we ought to  
11 change it, tell us why. But please keep in mind what  
12 the statute says, not just what, you know --

13 MR. DAY: I'm not arguing with that.

14 MR. YOUNG: There are a bunch of  
15 balances that --

16 MR. DAY: I'm very happy with it, okay.  
17 But what I'm talking about is long-range commitment.  
18 Okay. You came up and changed the rules last year,  
19 you came up with the different categories of  
20 allocations with different technologies, and for all  
21 you know there is people out there working on it.  
22 Okay. Just because they are not in this room. You  
23 have entrepreneurs out there investing money,  
24 inventing, doing things. And then all of a sudden  
25 you changed the rules. You came up with a rule which

1 I'm very happy with. I'm looking at, you know, six  
2 or 700 kilowatts of capacity for the next six years  
3 to develop a small wind technology for -- that I  
4 think that will pan out, eventually.

5 And I'm very happy with that. That's  
6 enough. But I get a little bit nervous when I see it  
7 in jeopardy. I make plans. I have customers who are  
8 making plans. And it takes a lot of energy to get  
9 land together and to get finances together. And then  
10 all of a sudden -- I just want some consistency. I'm  
11 very happy the way it is. And I just -- I want it to  
12 stay so we can make the long-term plans. Long-term  
13 plans.

14 MR. KNAUER: Understood. And I think  
15 that was part of the rationale for what the Board  
16 adopted last year saying we think we have got it  
17 figured out. And we intend for this to be the way  
18 it's going to work going forward.

19 The reality is we have a preferred  
20 pilot location for one year. And that capacity has  
21 to come from somewhere. And so I'm asking the people  
22 in the room to tell us where is that capacity going  
23 to come from.

24 MR. DAY: Okay.

25 MR. KAPLAN: If it's not used, it goes

1 back in.

2 MR. KNAUER: That's what the statute  
3 says.

4 MS. KROLEWSKI: Goes back in for the  
5 next year.

6 MR. KNAUER: No, for the current year.

7 MS. KROLEWSKI: Is it the current?

8 MR. YOUNG: If the pilot program is not  
9 used, it goes back in the current year.

10 MR. DAY: Well how can small wind help  
11 the pilot program? Okay. Was the pilot program  
12 because of small wind turbines, or was it because of  
13 solar? What was the purpose and the spirit of the  
14 pilot program, and therefore, I'm asking if -- I'm  
15 asking small wind turbines to be exempt from that.  
16 Unless you come up with a category that we can go  
17 after, be glad to. I suggested category -- if the  
18 spirit is not to use good farm land, I have a way of  
19 perhaps doing that.

20 Perhaps a small wind turbine doesn't  
21 take up the good farm land that you might see a solar  
22 field because a turbine is going to be up on the  
23 hill. And we will see a lot of applications, pseudo-  
24 type wetlands, which we would not impact. That's my  
25 thought.

1 MS. KROLEWSKI: So just to wrap up  
2 this, maybe do people want to have any other thoughts  
3 they want to raise on the allocation, or do they want  
4 to wait for their paper comments on this agenda item  
5 two?

6 (No response)

7 MS. KROLEWSKI: All right. We will  
8 move on and look forward to your comments on these.  
9 Item two.

10 So the final agenda item, and we have  
11 already kind of touched on it, is this review of the  
12 annual price caps that we have established under the  
13 program. And the memo that I provided to you pulled  
14 together some of the information on how we have been  
15 setting these price caps in the past. And it's meant  
16 to be sort of a help inform your comments and help  
17 inform your thoughts on reviewing on the price caps  
18 that we have.

19 I will note that the solar price cap we  
20 have reviewed probably annually, and we set annually,  
21 and there has been a fair amount of thought that's  
22 gone into that price cap every year. The  
23 hydroelectric price cap was reviewed last year and  
24 set. The small wind category actually has not been  
25 reset in a number of years.

1                   And so some of the things I noticed  
2 when I was pulling together this assumptions list  
3 here was the way the annual tax rate is done for  
4 small wind is definitely not consistent with how  
5 things are done for both solar and hydroelectric,  
6 which again those were updated last year, and I think  
7 a fair amount of thought went in by the Department on  
8 that. And they worked to come up with sort of a new  
9 technology there in the spreadsheets.

10                   Again, large wind has not had much of a  
11 review in a couple of years. I don't know, George,  
12 if you can remember the last date we did that one.

13                   MR. YOUNG: What's the price on that?

14                   MS. KROLEWSKI: 11.6. It's 12 cents  
15 roughly.

16                   MR. YOUNG: I can't remember the last  
17 time we did large wind. It may have been the first  
18 price setting for 2010.

19                   MS. KROLEWSKI: For people's quick  
20 knowledge here, food waste was set not last year but  
21 the year before. Farm methane was two years ago as  
22 well. So we are looking for input on the specific  
23 assumptions that are here. Anyone's that you think  
24 need to be updated. Any other thoughts that you have  
25 to add on these?

1 MR. MELONE: Just a question generally.  
2 How is the Board determining the various assumptions?  
3 Is it something that they reach out to the Department  
4 to help with, or third-party consultant? Or how is  
5 it done?

6 MS. KROLEWSKI: So in the past year we  
7 have just asked parties -- participants in this to  
8 give your thoughts on it. The Department's been --  
9 has I think the last couple of years have suggested  
10 values, and I would say other interested parties I  
11 think REV was pretty involved in the food waste  
12 category. So basically we are looking for input from  
13 everyone.

14 I think years ago we had the initial  
15 price caps, we had -- the Board had hired a  
16 consultant who helped develop those prices. But then  
17 those were -- he sort of gave his own thoughts, and  
18 then parties were requested to interact and give  
19 their thoughts on them. So a lot of the assumptions  
20 here were a balance of, you know, the Board's  
21 interpretation of what, you know, was the best value  
22 to be used.

23 So I can recall like capacity factors  
24 being very contested in the initial part of setting  
25 the solar price cap. And, you know, we relied on

1 some sort of factor that was -- I think balanced some  
2 of the parties' interests.

3 MR. YOUNG: I think we used an  
4 independent consultant that other parties could work  
5 with for the first several years of the program. And  
6 most of the categories after that weren't moving at  
7 all. We weren't getting any new evidence on them.  
8 And I think the consensus was there wasn't a need to  
9 go hire the consultant to keep doing it if there  
10 wasn't much that was changing other than basically  
11 the price of solar panels, you know, solar panels  
12 coming down, and maybe some assumptions about tax  
13 credits.

14 MS. KROLEWSKI: And the price -- I mean  
15 the Board's consultant also set up the cash flow  
16 models that we have continued to use. So we needed  
17 him less once we had them established.

18 MR. YOUNG: The models were developed  
19 by Tony Kvedar from GMP, an expert that REV hired,  
20 and the Board's consultant, and Dave Lamont from the  
21 Department actually participated in that as well.  
22 And those were all developed back in 2009. And we  
23 have opened it up for anybody have changes to the  
24 models, and nobody has proposed changes to the cash  
25 flow models. And you can still find the various

1 models we have been using on the Web site.

2 MR. MELONE: The reason I ask is we did  
3 submit comments regarding the solar assumptions  
4 specifically last year which don't seem to be  
5 reflected here. So, of course, we will resubmit  
6 them. And I guess you said -- you mentioned evidence  
7 of these things, these various components  
8 that go to these underlying assumptions. What sort  
9 of evidence can we as developers provide you guys to  
10 support kind of our differences?

11 Just as an example, maintenance costs  
12 you have \$25,000 a year. Through our experience it's  
13 more like 75,000. Other than just providing you that  
14 number, do you want to see anything, you know, as far  
15 as evidence in our comments? To support our numbers?

16 MR. WOODWARD: For the Department's  
17 part when the Board says, you know, these are in  
18 large part Department recommendations, that came  
19 through working groups organized I think at the  
20 suggestion of the Department. I'm sorry, the Board.  
21 Maybe not last year but the year before, so we  
22 actually broke out into technology groups, came to as  
23 much as consensus as possible given discrepancies  
24 like the one you're talking about.

25 So those kinds -- I mean if that were



1 to be reproduced as a way to go through with this,  
2 I'm not sure there is appetite for doing that for  
3 something like solar.

4 MR. MARREN: I think to answer Mr.  
5 Melone's question though, this is not a contested  
6 proceeding. We are not applying the Rules of  
7 Evidence here. But detail is helpful. If you have a  
8 specific project, is it one project? Is it many  
9 projects? What's your experience based on? Explain  
10 what those costs are. Is it mowing, is it, you know,  
11 electrical issues, what are causing those costs? So  
12 that it isn't just a number that's out of context.

13 MS. KROLEWSKI: Yeah. And I will add  
14 too that if you read some of the past Board orders on  
15 the price caps, we did address some of the issues  
16 that you raised and why we didn't consider them or  
17 why we did. And so I think that helps inform what we  
18 are looking for as well.

19 MR. MELONE: Okay.

20 MS. KROLEWSKI: And I would agree with  
21 the Department's assessment too, a lot of these were  
22 collaborative efforts, and sometimes the working  
23 groups or the parties didn't all agree. So then the  
24 Board was the final decision maker. But where  
25 everybody agreed, we adopted those assumptions.

1 MR. YOUNG: The other thing if you go  
2 back to our original 2010 order, the January 15, 12,  
3 early January, 2010 order, in Docket 7533, we talked  
4 a little bit about the methodology that was employed  
5 which was basically looking at the cost of the more  
6 efficient plants and efficiently sized and developed  
7 plants as opposed to, you know, this particular  
8 project is more expensive because we have located in  
9 a place that's more expensive.

10 And the goal of the program which was  
11 to ensure lowest feasible cost was to basically set  
12 the prices and then follow that through in the caps  
13 at efficiently designed and sited and operated  
14 plants. And the evidence that was based, you know,  
15 was based upon those assumptions. If those  
16 assumptions are wrong, we would encourage you to  
17 present evidence that those assumptions are, you  
18 know, giving us evidence of one plant doesn't  
19 necessarily say that the overall model of the  
20 approach to the industry is incorrect.

21 MR. MELONE: Yeah.

22 MR. YOUNG: How you develop that  
23 evidence. You know, so I don't want to give you the  
24 false impression that if you give us your data on one  
25 plant that shows higher O&M costs that that's going

1 to be -- necessarily going to be enough. It's a more  
2 global look as opposed to there is a recognition that  
3 certain plants can't be built for those.

4 Others on the other hand can be built  
5 for less because they have better financing, they  
6 have, you know, more access to capital than we  
7 assumed. Those are all assumptions based upon  
8 certain industry standards. And I think we have been  
9 very transparent about what those assumptions have  
10 been, and if we are wrong, tell us. And we will take  
11 comments from the Department, and the utilities, and  
12 other developers, and figure out what to do.

13 MS. KROLEWSKI: And I will remind  
14 people that the standard offer page of the Board's  
15 Web site has all those old orders with the Board  
16 discussions and easy to get at. Don't need to do a  
17 lot of hunting to find them. 2000 -- I think on the  
18 Web site they have -- there is a section --  
19 subsection called price orders. So they are not just  
20 thrown all up there, you know, every standard offer  
21 order. The Board issues a lot of standard offer  
22 orders so -- just to be aware. But the price cap  
23 orders are all grouped together, so they are easy to  
24 find.

25 MR. DAY: There is one thing on -- I

1 notice on the small wind that the ITC rebate has  
2 changed for wind. It didn't get renewed at the same  
3 rate that the solar did. So next year it's going to  
4 be 24 percent instead of 30, and then it drops down  
5 to 18 and then to 12 and then to zero. So unless  
6 it's changed, that's one thing I see here for wind.

7 MR. YOUNG: That would be a good thing  
8 you could tell us, because that's the type of thing  
9 --

10 MR. DAY: All right.

11 MR. YOUNG: That's certainly a global  
12 change that we have attempted to reflect in  
13 adjustments.

14 MR. DAY: Hopefully that will change  
15 again in the spring. Back. But we will see.

16 MS. KROLEWSKI: So why don't -- unless  
17 someone has more general thoughts to add right now,  
18 why don't we set a date for comments that people can  
19 file with recommendations on all the topics we have  
20 discussed today.

21 Do people have -- so our angle here is  
22 to have a decision in time for really a March 1 order  
23 at the latest to make decisions. The earlier the  
24 better obviously. But so I don't know is like a  
25 month a good initial, three weeks?

1 MR. WOODWARD: Can I ask just quickly,  
2 is there some sort of mechanical thing we need to be  
3 considering with timing all this, if we are doing --  
4 if we are putting out the preferred siting projects  
5 to bid and, you know, the result of that there have  
6 to be some, you know, spill over into the main pool,  
7 the main bidding pool, depending on how many get  
8 taken up, how many don't.

9 Does that mean like having to stagger  
10 the RFP process?

11 MS. KROLEWSKI: No. I don't think we  
12 have to do that. Because we can just, the next  
13 project-- so the RFP would pick those projects first,  
14 and then take the extra and put it towards the other  
15 categories.

16 MR. WOODWARD: Okay. A month is  
17 workable.

18 MS. KROLEWSKI: The real time line is  
19 giving people enough notice in advance of issuing the  
20 RFP what the categories are, what the price caps are,  
21 so that's the time line we are under. But we  
22 definitely have to issue something at the beginning  
23 of March.

24 MR. YOUNG: And since -- and to the  
25 extent we are providing, you know, a lot of guidance

1 on implementation of the new pilot program,  
2 developers might want to see that even farther in  
3 advance. If that's -- if that's feasible.

4 MS. KROLEWSKI: All right. So I'm  
5 going to pull out a calendar here. So --

6 MS. BAILEY: Can I just ask a  
7 clarifying question? For those who were here last  
8 week on the transmission wheeling issue related to  
9 standard offer, there was some discussion about those  
10 -- these going on parallel paths. And I'm just  
11 wondering as we think about our comments, should we  
12 think about those issues completely separately? I  
13 know there wasn't a lot of developer representation  
14 in the room for those conversations. Again I'm  
15 trying to think about our comments and how --

16 MR. YOUNG: I think the way we left it  
17 the wheeling issue was, in the absence of a lot of  
18 developers in the room, basically to put that on hold  
19 for awhile, and to the extent there are issues, try  
20 to bring new ones to the RFP process for this year.

21 So if you have specific recommendations  
22 -- James Gibbons isn't here -- but I'm sure he'll  
23 hear about this since BED is obviously interested, if  
24 there is specific recommendations that -- for  
25 adjusting the RFP process to take into account the

1 wheeling considerations, I think those would be  
2 appropriate for comments here.

3 MS. BAILEY: In the same -- okay. So I  
4 mean --

5 MR. YOUNG: Yeah. We didn't formally  
6 roll that Docket into this one. But there was no --  
7 we didn't have the right catalyst to actually move  
8 the dialogue, and there weren't any proposals, and  
9 nobody was ready to put together proposals. So if  
10 you have one, that would be dynamite.

11 MS. BAILEY: Yeah. I mean I would  
12 suspect the Board is going to get some reaction to  
13 the four proposals included in the memorandum. I  
14 know there wasn't a lot of conversation about that,  
15 so it would be appropriate to put into these comments  
16 in addition to a siting pilot and avoided costs,  
17 there also could be a one-year moratorium on  
18 development in VEC territory due to wheeling costs.

19 MR. YOUNG: If you think that is a  
20 recommendation that's worth putting forward, yes.

21 MS. BAILEY: Okay. Thank you.

22 MS. KROLEWSKI: I also forgot to  
23 mention too in this review we have terms for the  
24 lengths of the contracts, and those are in the  
25 statute. It's up to a certain length the contract

1 can be set so solar's up to 25. Some of the other  
2 categories are up to 20. That's also something we  
3 review annually is the -- whether the term should  
4 continue to be at the current length which is the  
5 statutory limit.

6 So how about October 28 for comments?  
7 That's a Friday. And then do people want an  
8 opportunity for reply comments?

9 MS. ANDERSON: Yes.

10 MS. ELIAS: I think that would be  
11 useful.

12 MS. KROLEWSKI: A week or two weeks?

13 MR. HOFF: Say two.

14 MS. KROLEWSKI: Where does that put us?

15 MR. FINK: 11th which is Veteran's Day.

16 MS. KROLEWSKI: November 11 for a  
17 reply. How about November 10th? So you don't think  
18 about it over your holiday weekend.

19 All right. Great. Anything else  
20 before we head?

21 No response)

22 MS. KROLEWSKI: All right. Thank you  
23 everyone.

24 (Whereupon, the proceeding was  
25 adjourned at 11:34 a.m.)



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I, Kim U. Sears, do hereby certify that I recorded by stenographic means the Workshop re: Docket Number 8817 at the Susan M. Hudson Hearing Room, People's United Bank Building, 112 State Street, Montpelier, Vermont, on October 4, 2016, beginning at 9:30 a.m.

I further certify that the foregoing testimony was taken by me stenographically and thereafter reduced to typewriting and the foregoing 89 pages are a transcript of the stenograph notes taken by me of the evidence and the proceedings to the best of my ability.

I further certify that I am not related to any of the parties thereto or their counsel, and I am in no way interested in the outcome of said cause.

Dated at Williston, Vermont, this 7th day of October, 2016.

A rectangular box containing a handwritten signature in cursive script that reads "Kim U. Sears". The signature is written in dark ink on a light-colored background.

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