



May 1st, 2026

Ms. Holly Anderson, Clerk

Vermont Public Utilities Commission  
112 State Street, 4th Floor  
Montpelier, VT 05602

**RE: 26-0291-INV Biennial update of the net-metering program**

Dear Ms. Anderson,

Renewable Energy Vermont (“REV”) submits this comment in response to the Public Service Department’s (“the Department”) recommendations in the Biennial Update of the Net Metering Program (Case # 26-0291-INV) dated April 1st, 2026. We appreciate the opportunity to advocate for the necessity of maintaining the integrity of the net-metering Biennial Update process, as well as for moderating the negative Category I and II siting adjustors to partially offset the loss of the 30% 25(D) Residential Clean Energy Tax Credit.

The Department’s proposal to effectively forgo the 2026 Biennial Update represents a radical departure from past practice that would unfairly harm current net metering customers and inject regulatory uncertainty into the market for Tier II-eligible projects, raising the costs of complying with the Renewable Energy Standard. Tens of thousands of Vermont net metering customers, lenders, investors, and developers have relied upon the expectation that the Public Utility Commission (“Commission”) will update the blended residential rates<sup>1</sup> following the explicit procedure and timeline described in Rule 5.128. Failure to do so would be a profound breach of trust. While the Department’s proposal would reduce utility costs in the short-term, it does so at the expense of homeowners, businesses, non-profit offtakers, and system owners that made good faith investments in net-metering based on the terms codified by the Commission. By seeking to retroactively alter those terms for existing systems, the Department’s proposal is already injecting uncertainty into the renewable market, a risk that the Department does not seem to have considered or worked to moderate before issuing its recommendation.

We urge the Commission not only to reject the Department’s recommendation in this instance but to be explicit that its proposal is entirely inconsistent with the established

---

<sup>1</sup> As described in 5.103, there is no singular “blended residential rate”; rather, a blended rate is calculated for each utility individually, and the statewide blended residential rate is the sales-weighted average of the utility-specific blended residential rates. For the sake of brevity, we will use “blended rate” as shorthand for whichever blended residential rate is applicable to a net metering customer.

Biennial Update process, safeguarding the program as a whole from disruptive, retroactive changes. Accordingly, we oppose the Department's recommendation that the Commission waive Rule 5.128 and strongly oppose initiating a rulemaking with the intent to retroactively change the terms of the programs for existing net-metering projects.

Furthermore, given the abrupt termination of the federal 25(D) Residential Clean Energy Tax Credit in December of 2025 and accelerated phase of the 48(E) Clean Electricity Investment Credit (hereafter the 25(D) and 48(E) ITCs), the evolution of the net metering program since 2024, and increasing co-adoption of net-metered solar and storage systems, there are multiple reasons to adopt more favorable siting adjustors for Category I and II systems. Therefore, REV recommends updating the statewide blended residential rate by 2.3 cents/kWh according to the procedures in 5.127 and setting the siting adjustors for Category I and II projects at -2 cents/kWh rather than undertaking an unprecedented deviation from the net metering rule.

While REV makes this recommendation with emphasis on the policy merits of maintaining the integrity of the Biennial Update process and increasing support for residential solar, the Department's proposal also raises potential legal issues, which would create a high likelihood of legal challenges. If these challenges were successful, utilities would be further burdened with making customers whole for credits that were initially calculated at the incorrect blended rate, a process that would be labor-intensive and strain the capacity of Vermont's smaller utilities

The remainder of our response is organized as follows. Sections 1 through 3 detail the reasons to forcefully and permanently reject the Department's recommendation to forgo the Biennial Update process. Section 1 describes the reasonable public reliance on the Biennial Update process, and Section 2 describes the proposal's far-reaching impacts on net metering customers and future Tier II compliance costs. Section 3 raises some of the legal issues with the Department's proposal that would likely be subject to challenges. Sections 4 and 5 provide the context that informs REV's recommendation to set the siting adjustor for Category I and II systems to -2 cents/kWh. Section 4 reviews the evolution of the net metering landscape since the last biennial update, while Section 5 documents the continued slowdown in net metering deployment that occurred under NM 2.6 as well as evidence of an accelerated rate of decline in net metering in 2026. Section 6 delves into the significant benefits and minimal costs of moderating the Category I and II siting adjusters for a two-year period. Section 7 makes recommendations for future net metering rulemaking, if the Commission were to decide to undertake this in a separate proceeding. Section 8 summarizes REV's conclusions.

# 1. Public Reliance on the Biennial Update Process

In Rule 5.100, updates to the blended rate are described in mechanistic and non-discretionary terms. All net-metering customers, investors, lenders, and developers rely on the expectation that updates will occur as prescribed by the Rule when investing in net-metering projects. The Department’s residential solar guidance document and other writings, and the Commission’s past actions – in addition to the language of 5.100 itself – support the public’s strong reliance on the biennial update process. Foregoing the update of the blended rate would be a breach of trust that would erode confidence in renewable energy investments in Vermont.

## The Language in Rule 5.100.

The Commission’s Rule 5.100 for net metering mandates that a Biennial Update process be undertaken every two years, to update the blended rate, the REC and siting adjustors, and the criteria for eligibility into different siting categories (“The Commission must conduct a biennial update in 2024 and every two years thereafter to update the following...” 5.128(A)). While the Commission must exercise its judgment to set the adjustors and eligibility criteria, the Rule provides a formula for determining the blended rate.

The Rule provides the mathematical methodology for the calculation of the blended rates at both the utility level (5.127(A)(1-2)) and the state level (5.127(A)(3)). This language is so unambiguous that the blended rate calculations performed by the Department and adopted by the Commission have never been challenged in any Biennial Update.<sup>2</sup>

The Rule’s language provides broad discretion to the Commission when setting the REC and siting adjustors, requiring it to consider multiple, potentially conflicting factors for each of the adjustors (see 5.128(B) and (C) respectively). “Adjustors must be determined to ensure that net-metering deployment occurs at a reasonable pace and in furtherance of State energy goals.” Altering the adjustors, therefore, requires a subjective assessment of the “reasonableness” of the pace of the net metering. Rule 5.128(C)(3) states the Commission must consider “whether changes to the qualifying criteria of the categories

---

<sup>2</sup> See *In re: biennial update of the net-metering program*, Case No. 24-0248-INV, Final Order of 5/30/2024 at 39 (“No commenter has objected to the Department’s recommendation...”); Case No. 22-0334-INV, Final Order of 7/17/2022 at 46 (“No commenter has objected to the Department’s recommendation...”); Case No. 20-0097-INV, Final Order of 11/12/2020 at 40 (“No party has objected to the Department’s recommendation...”); Case No. 18-0086-INV, Final Order of 5/1/2018 at 55 (“No party has objected to the Department’s recommendation.”).

are necessary.” It is abundantly clear that these elements of the Biennial Update are subject to the judgment and discretion of the Commission.

The elements of the Biennial Updates for which the Commission is obligated to exercise its judgment versus those for which it is to follow a deterministic procedure are very clear. Vermont families and businesses looking at the language of this Rule have no reason to believe that updates to the blended rate are discretionary, nor that the Biennial Update could be waived, as proposed by the Department.

## The Past Actions of the Commission

Since the Commission adopted the net metering rule establishing the Biennial Update process in 2017, the Commission has closely and reliably followed the procedures and timelines for updating the blended rate. No stakeholder following the Biennial Update process would have a reason to believe that the Commission would deviate from this formulaic process.

The Commission’s language in the 2024 Biennial Update Order sets *consistency with the requirements of the Rule* as the threshold for adoption of the Department’s calculation of the updated blended rate: “No commenter has objected to the Department’s recommendation, and *we find the Department’s calculation consistent with the requirements of Rule 5.103. Therefore, it is adopted.*”<sup>3</sup>

Only during the 2020 COVID lockdowns did the Commission alter the timeline for the biennial update significantly. The Commission’s 2020 Order did not take the schedule change lightly and worked to re-establish the normal timeline and procedures as soon as possible:

“Rule 5.128 specifies timeframes for the adoption of tariffs that would implement the changes announced in a biennial update. However, the delays caused by the pandemic and the upcoming holiday season necessitate a revised schedule. The dates selected by the Commission were **chosen so that the 2022 biennial update proceeding can proceed according to the schedule set in Rule 5.128**, while allowing for a gradual change in net-metering rates.”

---

<sup>3</sup> See In re: biennial update of the net-metering program, Case No. 24-0248-INV, Final Order of 5/30/2024 at 39.

Table 1. History of Blended Rate Updates since Net Metering 2.0

Year	Outcome	Timing
2018	Blended rate updated per methodology in Rule 5.100	As described in Rule 5.100
2020	Blended rate updated per methodology in Rule 5.100	7-month delay, COVID
2022	Blended rate updated per methodology in Rule 5.100	2 – month delay, PSD request
2024	Blended rate updated per methodology in Rule 5.100	As described in Rule 5.100

## Public Service Department’s “Guide to Residential Solar” and Comments in Commission Proceedings

In 2016, the Department issued “A Vermonter’s Guide to Residential Solar,” a guidance document for Vermonter’s considering going solar. This Guide, subsequently updated in 2018, remains the first document promoted on the Department’s Renewable Energy Resources page.<sup>4</sup> It is specifically designed to “help [Vermonters] decide whether it makes sense for you to go solar and, if so, how” and states that the “faster utility rates go up in coming years, the more money you’ll save by going solar.” No stakeholder had reason to believe that the Department would subsequently contradict its own guidance document.

The Department’s Guide explains how rates change over time (Figure 1) and is clear and consistent with the Rule 5.100 language. It states the blended rates will be recalculated at least every two years. If that rate changes, “*the value of the credits you receive will also change.*” The Department’s proposal in this proceeding directly contradicts the guidance that it has provided to Vermont families for the last 8 years.

### Changes in Compensation Rates Over Time

Every two years (or more often, as necessary) the PUC will recalculate the blended residential rate. If the blended residential rate changes (or one of the other utility-specific rates, if used, changes), then the value of the credits you receive will also change.

In contrast to this, it is the intention of the PUC that the REC adjustor and siting adjustor in place when you begin net metering will continue to apply to your system, even if these values are changed for new projects in the future. (As noted above, positive adjusters expire ten years after system installation.)

Figure 1. Explanation of Blended Rate Updates in “A Vermonter’s Guide to Residential Solar”

In fact, all of the Department’s biennial update filings affirm that the blended rate update is a deterministic process. In its April 1, 2026, filing, the Department states, “the net-

<sup>4</sup> Resources | Department of Public Service. Available at <https://publicservice.vermont.gov/renewables/resources> accessed 5/1/2026

metering rules describe how the blended residential rate... is determined.”<sup>5</sup> This or similar phrasing is used in the 2018, 2020, 2022, and 2024 updates as well. Prior to this biennial update, it has never suggested any capacity to waive this process to REV’s knowledge. In the 2022 Biennial Update, the Department was explicit about the narrow scope of the Biennial Update process, recommending that “any issues outside that limited scope be addressed in net-metering rulemaking ... or another proceeding, as appropriate.”<sup>6</sup> Here, rather than adhering to the deterministic blended rate update and standard scope of the Biennial Update that it advocated for in 2022, the Department has reversed its position and sought to tie the update to a larger, separate rulemaking process. Vermont families and businesses looking at the language and guidance of the Department before its April 1st filing in this docket had no reason to believe that the act of updating the blended rate was discretionary, nor that the Biennial Update could be waived indefinitely.

## 2. Deleterious Impact of the Department’s Proposal

Failing to update the blended rate as described in the rule would create significant financial harm for existing net metering customers and jeopardize Vermont’s reputation as a reliable jurisdiction for renewable energy investment. The net result of implementing this change could well be an increase in Vermont electricity rates due to the higher risk premium that lenders and owners assess on future Tier II projects.

### Impact on Net-Metering Customers

Net metering customers enroll in the program for a variety of reasons, including insulating themselves from future rate increases. Freezing the blended rate for an indefinite period of time would undo this benefit for off-site net metering customers and attenuate it for behind-the-meter net metering customers. In some cases, net metering customers with leased net metering systems or community solar subscriptions could find themselves paying more in lease/subscription payments than they received in net metering credits. All net metering customers would be deprived of compensation that they had every reason to rely on when making their investment decisions.

In its proposal, the Department is implicitly asking net metering customers to bear the risk that rates increase more slowly than expected but to forgo the benefits that would accrue to them if rates increase more quickly than expected. The Department’s Guidance alerts

---

<sup>5</sup> See *Department of Public Service Comments re: 2026 Biennial Update of the Net-metering Program*, Case No. 26-0291-INV, on 04/01/2024 at 29.

<sup>6</sup> See *Department of Public Service Comments*, Case No. 22-0334-INV, May 10, 2022, page 2.

customers to the inherent risk in net metering investments, stating that “it is impossible to predict what future utility prices will be, so there is inevitably some financial risk.”<sup>7</sup> The Department’s proposal, however, introduces a new and unexpected risk for customers: that their estimates of rate increases will be reasonable, but that the blended rate will not reflect these rate increases.

For customers with solar lease or net metering credit purchase agreements with community solar providers, the Department’s proposal could put net metering offtakers in the red. As described in the Vermonter’s Guide to Residential Solar (Figure 2), these contracts frequently include an escalator schedule that increases lease or membership payments over time. The stated risk to consumers is that the price of power will increase more slowly than the contractual payment. Freezing the blended rate makes this risk an inevitability.

### **Contract Provisions: Leases and Net Metering Credit Purchase Agreements**

Leases and net metering credit purchase agreements involve many of the same issues:

- **Escalation Schedule:** Most contracts will include a clause that increases the payment over time. This escalation should match or be lower than the anticipated increase in utility power prices. If the contract payment accelerates faster than the price of power, then you will save less and less each year. It is impossible to predict what future utility prices will be, so there is inevitably some financial risk involved in signing a solar lease or net metering credit purchase agreement. Utility rate increases have varied over the last 20 years, and the past is not always a reliable guide to the future. Regional variations, fuel prices, and regulatory changes can all affect power prices.

*Figure 2. Explanation of risks associated with contract escalators from "A Vermonter's Guide to Residential Solar"*

While the harm is greatest for off-site projects, all existing net metering systems will lose significant revenue. Table 2 shows the loss of credit value over the next two years for an off-site 500 kW system, such as those that support schools and municipalities, and a 10-kW, onsite system with 40% excess generation that is typical of recent residential installations. Since the last net metering rulemaking process took five years to complete, it is likely that the Department’s proposed freeze would be longer than two years and the loss of credit value higher than shown in this Table.

---

<sup>7</sup> Vermonter’s Guide to Residential Solar (2018) available at [https://publicservice.vermont.gov/sites/dps/files/documents/Renewable\\_Energy/Resources/Solar/consumerguidesolar\\_2018.pdf](https://publicservice.vermont.gov/sites/dps/files/documents/Renewable_Energy/Resources/Solar/consumerguidesolar_2018.pdf), page 22. Accessed 5/1/2026.

Table 2. Financial Impact of Blended Rate Freeze

System Size (kW)	Capacity Factor	Annual Excess Generation (kWh)	Lost Credit Value (\$/kWh)	Total Lost Credits 2026-2028
500	0.18	788,400	\$0.023	\$36,266.40
10	0.15	5,256	\$0.023	\$241.78

It is worth noting that on a percentage basis, the Department’s proposal cuts the revenue stream for newer vintages of net metering significantly more than for older vintages, even though newer net metering systems have a more marginal impact on utility costs than older systems. Following the standard update procedure, a Category III system from NM 2.0 would be due 19.7 cents/kWh, and a NM 2.6 system would be due 13.7 cents/kWh. Freezing the blended rate at the 2024 level would reduce the compensation rate for the NM 2.0 system by 12% and the NM 2.6 system by 17%. As an isolated policy matter, without considering the many dangers of forgoing a required update to the blended rate, cutting the compensation for systems with lower compensation rates and more marginal viability more severely than more highly compensated systems is an ill-considered policy.

## Impact on Net Metering Developers/Owner Operators

The Department’s proposal to freeze the blended rate would adversely impact net metering developers and owner operators in multiple ways. At the most basic level, it would retroactively reduce the revenue streams owed to existing projects, reducing (and potentially eliminating, depending on the duration of the freeze) projects' profitability. At least as significantly, it would also make it all but impossible to value projects until the envisioned rulemaking process was completed, effectively freezing the market for new net metering systems.

Residential and commercial installers would be unable to provide potential customers with a credible estimate of the lifetime value of solar power, making these projects all but impossible to market. If, as with 19-0855, the rule-making process took five years to complete, the freeze in the blended rate and uncertainty about the future value of solar could be irrecoverable for some businesses. For larger net metering systems still awaiting financing and construction, prolonged uncertainty about the revenue streams these projects would produce would be a major obstacle to successful financing. In many cases, this could make it impossible to complete construction before the end of 2027 and the expiration of the 48(E) ITC, making them financially non-viable.

For some subset of individual projects and smaller companies, the proposal would likely result in loan defaults, bankruptcy, and the loss of small businesses located throughout the state.

## Impact on Non-Net Metering Projects

Forgoing the scheduled update to the blended rates would have negative impacts that extend beyond the net metering program and would increase the cost of meeting Tier II of the Renewable Energy Standard. While REV members have expressed frustration with many elements of the permitting process, they nonetheless report that Vermont-issued permits, executed contracts, and established programs can be relied on, and that the state is a reliable jurisdiction for renewable energy development. Breaking with the mandated blended rate update procedure now would raise questions about what other foundational renewable policies might be subject to retroactive changes and greatly diminish the state's reputation with lenders, system owners, and developers.

Forgoing the scheduled update would create a new risk premium for financing renewable energy projects. Renewable energy capital costs are a significantly higher share of total costs than for fossil power plants. This means the price of renewable energy is particularly sensitive to capital costs. Even a relatively small increase in the risk premium lenders charge to Vermont projects would have an outsized impact on rates. A 2025 analysis by researchers at the University of Oxford found that a 1.2% increase in the cost of capital increased the levelized cost of energy for ITC-eligible U.S. solar projects by 12%.<sup>8</sup> Lazard estimates that increasing the cost of capital from 4.2% - 10% increases the levelized cost of solar power by 65%.<sup>9</sup> Given recent PPA pricing in Vermont in the range of 10-11 cents/kWh, these findings are consistent with REV members' estimates that a 1 percentage point increase in the cost of capital at the project level increases PPA prices by about \$10/MWh. As shown in Table 3, an increase of just 1 percentage point in the cost of capital would result in more than \$22 million in increased lifetime power costs from a single year's worth of new Tier II solar resources, using the Department's estimate of 56 MW per year of additional Tier II-eligible resources to meet the state's Renewable Energy obligations. These costs escalate rapidly as risk premiums increase, creating significant downside cost risks for Vermont ratepayers.

---

<sup>8</sup> Christian Wilson, Gireesh Shrimali, Ben Caldecott, *Financing costs and the competitiveness of renewable power*, iScience, Volume 28, Issue 12, 2025. Available at <https://doi.org/10.1016/j.isci.2025.11377>.

<sup>9</sup> Lazard, *Levelized Cost of Energy +*, July 2025. Available at <https://www.lazard.com/media/5tlbhyla/lazards-lcoeplus-june-2025- vf.pdf>, page 12.

Table 3. Impact of Increased Capital Cost on Power Purchase Costs

Capacity (MW)	Annual Output (MWh)	Increase in Capital Costs	Increased Cost of Power (\$/MWh)	Annual Cost Increase	Lifetime Cost Increase
56	90,754	+1%	\$10	\$ 907,536	\$ 22,688,400
56	90,754	+2%	\$20	\$ 1,815,072	\$ 45,376,800
56	90,754	+5%	\$50	\$ 4,537,680	\$ 113,442,000

Increased capital costs are not the only mechanism through which project costs rise when investors lose confidence in a market. Risk is priced throughout the entire transaction. As perceived risk increases, so do the costs associated with tax equity, transferable credit markets, and related tax insurance products. In turn, project sponsors—who must aggregate and manage these risks—require higher returns to proceed. To offset these higher costs, project revenues—typically reflected in PPA pricing—must increase. If the market cannot bear those costs or the perceived risk remains too great, participants leave for markets with less perceived risk. An exodus from the market would leave Vermont's relatively small market very exposed to higher-cost Tier II resources.

Maine is already witnessing decreased interest in in-state renewable energy development in the wake of the passage of LD 1777 last year, which retroactively added new charges to existing community solar projects. Multiple companies have announced that they will cease working in the state and expressed that investments in the state will be subject to a higher risk premium than previously.<sup>1011</sup>

There is a high likelihood that indefinitely freezing the blended rate for existing net metering projects would increase rather than decrease overall power costs in Vermont. The Department failed to consider the spillover effects of its proposal to deviate from the established requirements of the net metering Rule. In doing so, the Department proposal itself is introducing uncertainty about the Vermont investment environment. The Commission should forcefully reject the Department's premise of imposing retroactive changes to net metering compensation in this and future Biennial Updates.

<sup>10</sup> Solar Power World, *Policy change virtually stops new community solar development in Maine*, April 2026. Available at <https://www.solarpowerworldonline.com/2026/04/policy-change-virtually-stops-new-community-solar-development-in-maine/>

<sup>11</sup> PV Magazine, *Maine's governor signs controversial net-metering reforms into law*, June 2025. Available at <https://pv-magazine-usa.com/2025/06/30/maines-governor-signs-controversial-net-metering-reforms-into-law/>.

### 3. Legal Uncertainty Surrounding the Department's Recommendation

The Department's recommendation to ignore the requirement that the base rate for existing net meter projects be adjusted biennially to the blended residential utility rate is likely to be challenged as a violation of the rule of law under the vested rights doctrine. Under the vested rights doctrine, a doctrine expressly recognized by the Vermont Supreme Court as controlling in Vermont, "a permit applicant gains a vested right in the governing laws and regulations in existence when a complete permit application is filed." In *re Times and Seasons*, 2011 VT 76, ¶ 12, 190 Vt. 163, 167, 27 A.3d 323, 328 (2011) (holding that the vested rights doctrine "allows the applicant ... to maintain the advantage of favorable findings when laws or regulations have changed unfavorably."). "A vested right of action is property in the same sense that tangible things are property." *Udall v. Mason*, 112 Vt. 416, 418 (Vt. 1942). "The vested rights doctrine not only applies in the context of zoning and Act 250 permit cases, it also applies in proceedings before the [Public Utility] Commission." In *re Petition of Chelsea Solar LLC*, 2021 VT 27, ¶ 7, 254 A.3d 156 (citing *In re Times and Seasons*, 2011 VT 76, ¶ 12).

The vested rights doctrine is controlling law in Vermont, and an administrative tribunal has no authority to ignore controlling law. *Martin v. Vermont Agency of Transport.*, 2003 Vt. 14, ¶ 37 ("agencies are required by law to follow controlling judicial precedents")(citing *Nat'l Labor Relations Bd. v. Ashkenazy Prop. Mgmt. Corp.*, 817 F.2d 74, 75 (9th Cir. 1987)). See also *Allegheny General Hospital v. NLRB*, 608 F.2d 965, 970 (3d Cir. 1979) ("A decision by a court, not overruled by the United States Supreme Court, is . . . binding on all inferior courts and also on administrative agencies"). The Commission cannot, by Rule 5.125 or any other rule or decision, impose requirements that are inconsistent with controlling law. "An agency has no authority to promulgate a regulation that is inconsistent with controlling law." *Comm. for a Better Env't v. Cal. Res. Agency*, 103 Cal.App.4th 98, 110 (Cal. Ct. App. 2002). This is because, "[u]nlike courts, which are granted their powers by the Constitution, see Vt. Const. ch. II, § 4, administrative bodies have only the adjudicatory authority conferred on them by statute." *Martin, v. Agency of Transport.*, 2003 Vt. 14, ¶ 8.

If the Commission wishes to depart from the biennial residential blended rate adjustment required by Commission Rule 5.127, the Commission must follow the formal rulemaking procedures required by the Vermont Administrative Procedures Act, 3 V.S.A. §§ 800 et. seq. Even then, however, any change in the rate must apply proactively only, and not

retroactively to existing net meter systems. Any such retroactive application would be in violation of the vested rights doctrine.

## 4. Evolution of the Net Metering Environment Since the 2024 Biennial Update

The net metering statute (30 V.S.A § 8010(c)(1)), set out to advance the goals and total renewables targets of 30 V.S.A. Chapter 89 and the goals of 10 V.S.A. § 578 to reduce greenhouse gases. Since the Commission’s 2024 Biennial Update, significant changes have occurred at the federal and state levels that have implications for the net metering program. The expiration of the federal 25(D) ITC, accelerated phase-out of the 48(E) ITC, and the end of off-site net metering in Vermont justify the Commission moving to adopt a more favorable siting adjustor for Category I and II net metering systems. The increasing co-adoption of net metering and storage, and the connection between net metering investments and subsequent electrification, also provide net metering benefits that the Department has failed to consider and support a more favorable adjustor schedule for NM 2.7 projects.

### Termination of the Federal ITC for Residential Solar and Accelerated Phaseout for Commercial Solar

H.R. 1, signed into law by President Trump on July 4, 2025, abruptly terminated the 30% 25(D) ITC for residential solar effective January 1, 2026. The loss of the 30% tax credit increases the cost of solar and payback period for Vermont families by 43%. Before the passage of H.R.1, the 25(D) ITC was not slated to expire until after 2032. This abrupt change in federal policy, which gave individuals less than six months to utilize the tax credit and left many Vermont families interested in going solar unable to do so before the credit’s expiration, dramatically altered the economics of residential solar going forward.

*Table 4. Illustration of the Impact of Expiration of 25(D) ITC on Consumers' Solar Costs*

	2025	2026	Percent Change
System Size (kW)	9.9	9.9	0%
Total System Cost	\$ 32,175	\$ 32,175	0%
ITC Value	\$ 9,653	\$ -	-100%
Final Cost to Consumer	\$ 22,523	\$ 32,175	+43%

While the 48(E) ITC for commercial solar remains in place, projects that do not begin construction before July 4 of this year must be completed by the end of 2027 to be eligible for the credit. Since it is unlikely that many Vermont businesses will be able to utilize safe-harbor criteria for net metering projects, they will also lose access to the federal ITC before the next biennial update.

## Net Metering as Built-Environment Renewable Energy Program

The 2024 Renewable Energy Standard update phased out off-site group net-metering for all offtakers, effective December 31, 2025. Net metering projects must now be located on or adjacent to the parcel where the offtaker is located. The vast majority of these projects are located on rooftops or in close proximity to existing structures - i.e., the built environment. New net metering projects, therefore, lessen the conflict between energy infrastructure and other land uses.

30 V.S.A. § 8010(c)(1)(B) requires a level of net metering deployment consistent with the Comprehensive Energy Plan (CEP). The 2022 CEP identifies preferred locations for renewable energy development, including on-site generation on rooftops and parking lots.<sup>12</sup> Similarly, polling conducted by the Department in 2023 found that 93% of Vermonters support solar, and follow-up focus groups found “[m]ost participants preferred to place solar panels on existing residential and commercial buildings or in parking lots or other spaces that were already developed.”<sup>13</sup> Renewable energy projects on or in close proximity to existing homes and commercial buildings are developed almost exclusively under the net metering program. Failure to adopt a more favorable siting adjustor in the wake of the ITC termination would be inconsistent with achieving solar deployment in the locations the CEP has identified as preferred locations and that the Department has found have the strongest public support. The Department has not acknowledged or attempted to quantify the benefits of the solar deployment within the built environment in this biennial update.

---

<sup>12</sup> PSD (2022), *2022 Comprehensive Energy Plan - Appendix B: Act 174 Enhanced Energy Planning Standards for Regions and Municipalities* (pg. 12). Available at [Appendix B: Act 174 Enhanced Energy Planning Standards for Regions and Municipalities](#).

<sup>13</sup> PSD (2023), *Vermont Weighs In :Public Opinion on Renewable Electricity*. Available at <https://ljfo.vermont.gov/assets/Uploads/0fa7d4fa08/VT-Weights-In-Report-MPG-for-Vermont-PSD-10.3.23.pdf>.

## Increasing Storage Connection Rates for Net Metered Systems

Net metering is an increasingly significant driver of residential battery energy storage systems (BESS) adoption, which provides rate benefits to all customers. Because many of the most popular BESS can be tied with net-metered solar in a fashion that allows both devices to use the same inverter, the cost of installing these systems together is lower than the cost of independent BESS and net-metering systems. Since a net metering customer must pay for an inverter, regardless of the decision to add BESS, the marginal cost of adding BESS is lower than the cost of installing standalone BESS. Effectively, net metering subsidizes the installation of BESS.

Residential BESS enrolled in utility-controlled peak-shaving programs save Vermont ratepayers millions of dollars a year, and all ratepayers of utilities that operate residential BESS peak-shaving programs benefit because these programs reduce the utility's RNS charges.<sup>14</sup> Vermont utilities continue to explore other use cases for these batteries, including frequency regulation, that have the potential to increase the value these residential battery systems provide to ratepayers in the future.

As climate-induced extreme weather events worsen, BESS also provides crucial resilience benefits for Vermont households, especially those located in our most rural areas. These benefits are maximized when BESS is paired with solar, allowing customers to ride out longer power outages. BESS deployment can be the lowest-cost approach to improving resilience, especially when households are investing in this technology.

When investing in home solar, Vermont families are increasingly opting for solar plus storage systems. Based on feedback from REV members, we anticipate that the paired installation of solar plus storage will continue to accelerate, increasing the storage capacity available to participate in utility-led storage initiatives and deliver system-wide benefits. The Department has not attempted to quantify the benefits in terms of reduced system costs or increased resilience that accrue because net metering accelerates BESS deployment.

---

<sup>14</sup> Green Mountain Power and Vermont Electric Co-op have fully implemented residential BESS programs. Burlington Electric Department initiated a residential BESS pilot in 2025, and several of Vermont's municipal utilities have expressed interest in residential BESS programs at such time as they have sufficient technical capacity.

## Customer Electrification

Net metering is also positively correlated with the adoption of electrification technologies such as electric vehicles and heat pumps. Multiple mechanisms contribute to this correlation, including the fact that positive experiences with solar lead to greater confidence in adopting other green technologies, and lower electric costs provide greater financial benefits from electrification. These benefits that accrue to the individual also have broader positive effects. A customer who installs a solar array and subsequently adopts heat pumps and an electric vehicle will often experience a net increase in electricity usage, increasing sales for their utility. To illustrate, a 10 kW system will generate roughly 11,000 kWh per year. According to Efficiency Vermont’s Energy Calculator, two heat pumps will use approximately 16,000 kWh per year, and an electric vehicle will use on the order of 4,000 - 5,000 kWh per year, resulting in a net increase of close to 10,000 kWh of purchased power. Additionally, by serving as early adopters within their communities, the net metering customers promote broader electrification, as a lack of familiarity with electrification technologies is frequently a barrier to adoption.<sup>15</sup> The Department has not attempted to quantify the benefits that net metering provides as a driver of electrification.

## 5. Rate of Net Metering Deployment

Since 2017, net metering has been in a sustained decline, despite increasing residential electric rates. While many factors play into this decline, continued reductions in the siting adjustors are a dominant factor. The Department asserts that net metering deployment has “moderated to a pace that is more appropriate” under NM 2.6, but fails to meaningfully engage with the continued decline of net metering deployment that is likely to occur as a result of the loss of the 25(D) and 48(E) ITCs, much less the freeze in deployment that its own proposal would induce.

Past Biennial Updates have seen adjustor reductions that exceed the growth of the blended residential rate. This has resulted in declining compensation rates – both for own use and excess generation - for new net metering systems even before adjusting for inflation. As shown in Table 5, the compensation rate that a new net metering system receives for its own use power declined by between 1.9 and 2.3 cents/kWh in GMP (-11%),

---

<sup>15</sup> Efficiency Vermont (2025), *Vermont Heat Pump Market Assessment*. Available at <https://www.encyvermont.com/Media/Default/docs/white-papers/vermont-heat-pump-market-assessment.pdf>

BED (-16%), and WEC (-12%) since 2021, and compensation for excess generation has declined by comparable amounts.

Table 5. Compensation in Year One for Category 1 Net Metering System in Nominal Dollars

Date	Statewide Blended Rate	Adjustor	GMP			BED			WEC		
			Blended Rate	Own Use	Excess Gen	Blended Rate	Own Use	Excess Gen	Blended Rate	Own Use	Excess Gen
2/1/21	16.4	0	16.9	16.9	16.4	13.8	13.8	13.8	19.4	19.4	16.4
9/1/21	16.4	-1	16.9	15.9	15.4	13.8	12.8	12.8	19.4	18.4	15.4
9/1/22	17.1	-2	17.7	15.7	15.1	14.9	12.9	12.9	19.4	17.4	15.1
8/1/24	18.3	-4	19.0	15.0	14.3	15.5	11.5	11.5	21.1	17.1	14.3

All values in cents/kWh

In contrast, according to Lawrence Berkley National Labs *Tracking the Sun* dataset, the nominal installed cost of residential solar increased by 13% from 2021 through 2024 (the most recent year for which data is available).<sup>16</sup> It is unsurprising that declining compensation and increasing costs (both in nominal terms) have resulted in a steady decline in the overall capacity of net metering CPG submissions each year, as shown in Figure 3.

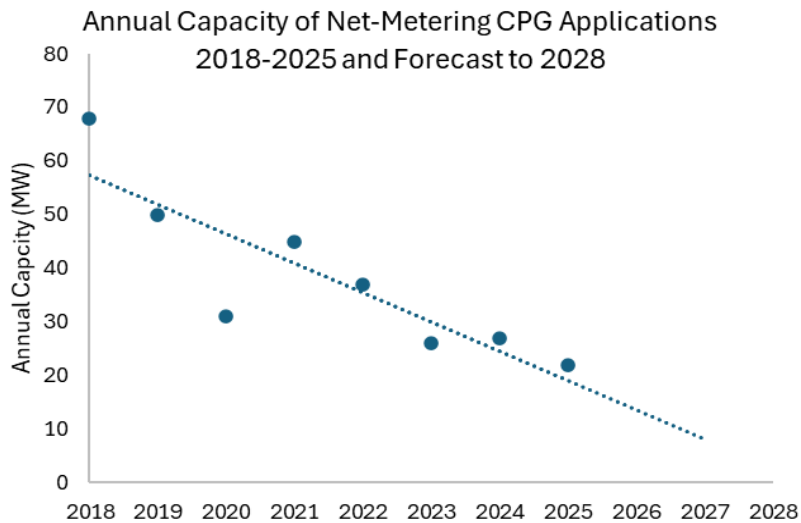


Figure 3. Decline in Capacity of Net Metering CPG Submissions by Year

<sup>16</sup> Lawrence Berkeley National Laboratory, *U.S. Distributed Solar and Storage Data – Public data file*. Available at <https://emp.lbl.gov/tracking-the-sun>.

Looking specifically at the smaller systems, 25 kW and below, recent trends show that the number of CPG submissions is declining even faster than the capacity. Increasing negative adjusters have reduced the number of Vermonters who can access solar while simultaneously prompting customers who do go solar to purchase larger systems to offset increasingly large negative adjusters.

Table 6. Number of Size of CPG Requests for Projects 25 kW and Smaller

Year	CPG Requests	Average System Size (kW)
2021	2,929	8.3
2022	2,863	8.1
2023	2,298	7.7
2024	2,143	8.9
2025	1,668	9.9

### Preliminary 2026 Trends

Data from Q1 of 2026 show a significant further slowdown in net metering since the termination of the federal ITC. This is, of course, consistent with a broad range of predictions about the impact of the 2025 budget reconciliation on residential solar, which estimated residential solar would fall by between 18% and 50%.<sup>17</sup> As shown in Table 7, the number of net metering CPG requests fell by more than a third from Q1 2025 to Q1 2026.

While some of this decline is attributable to customers accelerating their plans to go solar before the ITC expired, REV members working in the residential space report that the decline is broadly consistent with what they are seeing in the residential pipeline, where they expect significantly lower volumes in 2026 than in 2025, absent a more favorable adjuster regime for NM 2.7 projects.

---

<sup>17</sup> See e.g Washington Post (7/10/25) “Why homeowners are suddenly rushing to install rooftop solar.” Available at <https://www.washingtonpost.com/climate-environment/2025/07/10/rooftop-solar-budget-bill-crash/>, and PV Magazine (8/5/2025) “Federal budget bill to cut residential solar in half through 2030, said Wood Mackenzie,” available at <https://pv-magazine-usa.com/2025/08/05/federal-budget-bill-to-cut-residential-solar-in-half-through-2030-said-wood-mackenzie/>.

Table 7. Decline in CPG Requests After the Expiration of the 25(D) ITC

Time Period	Count	Capacity (MW)
1/1 - 3/31/2025	304	3.5
1/1 - 3/31/20206	200	2.3

## 6. REV’s Recommended Change to Siting Adjustors

In light of the already declining rate of net metering and the loss of the 25(D) ITC, REV recommends that the Commission set the siting adjustor for Category I and II systems to -2 cents/kWh. While the rate impacts of a 2-cent change in adjustors for a 2-year period until the 2028 biennial update are minimal, it would provide concrete benefits to families considering net metering.

### Illustration of the Benefits of A 2-cent Adjustor Change for Vermont Families

As illustrated in Table 8, moving the adjustor for Category I and II systems from -4 cents/kWh to -2 cents/kWh would offset close to 60% of the value of the lost ITC over the system's 25-year lifetime. By contrast, setting the adjustor at -6 cents/kWh, as the Department highlights as a means to offset an increase in the blended rate, would exacerbate the harm to future net metering customers by 60%. Overall, the -6 cent/kWh adjustor is four times less favorable to families looking to invest in solar than the -2 cents/kWh adjustor that REV proposes.

Table 8. Combined Impact of Expiration on 25(D) ITC and Proposed Adjustor Changes

	REV Proposal	PSD Proposal
System Size (kW)	10	10
Approximate System Cost	\$ 32,500	\$ 32,500
Lost Value of ITC	\$ (9,750)	\$ (9,750)
Lifetime Generation (kWh)	284,700	284,700
Recommended Adjustor Change	\$ 0.02	\$ -0.02
Lifetime Impact on Credit Value	\$ 5,694	\$ (5,694)
Net Change in Lifetime Benefits (ITC & Adjustor Change)	\$ (4,056)	\$ (15,444)

## Estimation of the Bill Impact of a 2-cent Adjustor Change

Given the loss of the ITC, net metering rates in Vermont will decline even with a more favorable adjustor. Thus, the rate impact of a moderation in adjustors for a two-year period will be limited. REV estimates that, at the state level, the bill impact of providing a more favorable adjustor for NM 2.7 systems will be less than 15 cents/month on a 700 kWh/month residential bill.

For this exercise, REV has adopted the Department's estimate of the value of solar and applied this to all generation (both own use and excess) to capture the impact of lost sales. This provides a worst-case bill impact estimate since REV continues to believe the Department underestimates the value of solar and believes the inclusion of lost sales in the equation is misguided. The bill impacts of are determined by 1) the increase in NM 2.7 net metering deployment driven by the adjustor change, and 2) the higher compensation rate that all NM 2.7 systems received by virtue of the more favorable adjustor. For the purposes of this exercise, REV assumed that net metering installations will fall by 50% in the absence of an adjustor change, but only by 20% if the adjustor is set to -2 cents/kWh.

REV provides the Excel model used to arrive at these estimates, should the Commission wish to use alternative assumptions to those that REV used here.

Here, REV highlights that 30 V.S.A. § 8010 does not require that the net metering program result in no cost shift but rather that it be avoided *to the extent feasible* while accounting for all of the benefits of the program. A marginal bill impact of just 26 cents/month is well within the latitude given to the Commission in § 8010.

## 7. Future Changes to the Net Metering Program

While the Department's recommendation is inappropriate for the biennial update process, REV members are open to a separate, prospective process to ensure the long-term viability of self-generation for Vermont families and businesses. Avoiding retroactive changes that adversely impact Vermonters who have already enrolled in net metering is essential to maintaining good faith with those Vermonters and avoiding unintended cost increases in other segments of Vermont's renewable energy market.

REV further notes that the key point of contention in many of the Biennial Update processes has been how to weigh the opportunity for access to net metering and the full set of benefits that net metering provides against the cost shift to other customers, to the

extent possible. Since this is fundamentally a disagreement about how the Legislature intended these competing values to be weighed, REV suggests that the Legislature is the appropriate body to begin this process and establish clear guidelines for the program to function.

## 8. Conclusions

The Department's recommendation in this case contradicts what it has told Vermonters about the net metering program, the plain language of the Rule, and the reasonable expectations of Vermonters who have enrolled in net metering. It would unfairly harm Vermont ratepayers and increase the costs of other Tier II projects. REV urges the Commission to forcefully reject the recommendation and make clear that it will not consider similar proposals during future updates.

REV recommends that the Commission instead update the blended rate by 2.3 cents/kWh, consistent with the methodology in the Rule, and set the siting adjustors for Categories I and II at -2 cents/kWh. The rate impact of this policy decision would be minimal, and it would partially offset the loss of the residential tax credit and help preserve the opportunity to net meter for more Vermont families.

Finally, REV emphasizes that future changes to the net metering program should be prospective in nature and suggests that the Legislature may be the appropriate venue for starting this process.

Should the Commission have any questions about the material submitted here, please do not hesitate to contact us.

Sincerely,



Jonathan Dowds

Deputy Director  
Renewable Energy Vermont  
jonathan@revermont.org