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January 19, 2024

Holly R. Anderson
Clerk of the Commission
112 State Street
Montpelier, VT 05620-2701

Re: Case No. 23-2221-INV
Investigation into the Clean Heat Standard Default Delivery Agent Costs and Quantities

Dear Ms. Anderson:

On December 11, 2023, the Vermont Public Utility Commission ("Commission") issued an Order requesting comments about the number, geographic scope, obligations, and responsibilities of designated Default Delivery Agents ("DDAs") that may be appointed under Act 18. Vermont Gas Systems, Inc. ("VGS") offers the following comments for consideration.

Number and Geographic Scope of Default Delivery Agents

Broadly, VGS advocates for implementation practices that will achieve the State's greenhouse gas reduction requirements at the lowest cost. 30 V.S.A. § 8125(b) requires that the Commission consider for appointment as DDA "one or more statewide entities." It follows that the Commission will need to make an early determination about how many DDAs to appoint. We suggest that consideration should be offered to the role each DDA candidate may play in producing credits cost effectively, exclusive of geographic parameters.

It may be useful to assess whether an applicant is suited to deliver all types of measures to all types of consumers, or if the applicant can offer specialist services that cost-effectively deliver measures to certain populations that are relevant to compliance obligations under the Clean Heat Standard. For example, some organizations may be well-suited to target delivery of clean heat measures to residents with low income, and correspondingly may not wish to develop the infrastructure and overhead associated with wider delivery of such measures to those who are not income qualified.

If the Commission determines a candidate can deliver clean heat credits cost-effectively, they should not be excluded from appointment based on a predetermined limitation on the number of DDAs. To enable thermal transformation, determination of what is ideal should be influenced by the type of proposals received to supply cost-effective DDA services to obligated parties. We suggest the Commission set no limitation on the number, or nature, of DDA appointments, and that it consider procedures that would enable DDA appointments that could achieve least-cost credit generation.

Geographic scope may also be a component in the evaluation of a DDA's proposal to deliver cost-effective credits. The "statewide" requirement set out in 30 V.S.A. § 8125(b) does not address how a determination of what constitutes "statewide" eligibility is made. We welcome Commission review and guidance related to this requirement. As a general comment, we suggest "statewide" be interpreted broadly to ease implementation and to foster a healthy market. For example, a proposal for DDA should not be denied simply because an entity does not currently serve a "statewide" population if it reasonably establishes the capability of providing such services at a future date.

At a minimum, we recommend the Commission set eligibility requirements before issuing a Request for Proposals and commencing the DDA application and appointment process. Here, it may be helpful to establish the lowest reasonable barrier to entry, which could be presented as the ability to serve greater than a set percentage of Vermont's land area or population. Throughout, the purpose should not be to fragment the market, but to establish a framework by which the Commission can select a set of DDA vendors that together deliver least-cost solutions to Vermont.

Obligations and Responsibilities

DDAs occupy a unique role in the delivery of clean heat credits under Act 18. We note that 30 V.S.A. §8125(d)(1) stipulates that an obligated party must use a DDA to fulfill their obligation unless they receive Commission approval to satisfy compliance through alternative methods that achieve emissions reductions. As such, DDAs agree to become obligated parties themselves upon accepting an appointment and have an obligation to serve any obligated party at the schedule of costs it filed with the Commission. Any obligations DDAs are unable to fulfill should be subject to the same rules and penalties applied to all obligated parties. In the event a DDA could not fulfill its requirements in a given year, and it was subject to a non-compliance payment, the Commission should ensure those funds are, at a minimum, transferred to a separate entity. In any case, if a DDA could not fulfill its requirements in a given year, obligated parties that have contracted for credits from the DDA should not be liable in that year (or in subsequent years, for installed measures) for underperformance. Obligated parties should be held harmless in future annual obligations for greenhouse gas emissions reductions expected through the purchase of DDA credits, regardless of whether the DDA can fulfill its requirements.

Given this unique relationship, obligated parties are entitled to know where and how the DDA intends to generate credits in the upcoming procurement period. Information about the DDA's expected credit generation and actual activities should be filed with the Commission annually, so obligated parties and the public can determine the effectiveness of that DDA's efforts to reduce Vermont's carbon emissions in a cost-effective manner. Examples of information that could be reported include the extent to which the DDA plans to satisfy its obligations with: (1) installed measures; (2) supply measures; and (3) banked credits from previous periods (and the nature of those credits under these criteria).

With regard to the use of non-compliance payments by the DDA, the Commission should review regularly the use of such funds and the credits generated to ensure the funds are responsibly deployed. The text of 30 V.S.A. § 8125(d)(4) is not specific on this issue, and is limited to requiring the funds be used to generate credits in "any additional amount achievable."

Regarding required program offerings, VGS believes it will be useful for the Commission to consider each DDA applicant's unique strengths and abilities to address specific segments of the market. By segmenting DDA activities with these program goals in mind at the outset, the development of the programs themselves will be specialized by design.

As it relates to a DDA's use of compliance funds, we presume measures delivered with these monies will not generate credits since the original payment of compliance funds satisfies a compliance obligation in practice. DDAs responsible for the deployment of such funds should annually file detailed records that identify which subset of projects were delivered with compliance funds, and sufficiently detailed records that evidence they were used to generate credits or otherwise satisfy the DDA's own obligation(s).

We offer no comments at this time regarding the DDA scope of work or budget building requirements placed on the DDA.

Thank you for the opportunity to comment. Please contact me with any questions.

Respectfully submitted,

/s/ Mary G. Bouchard

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