STATE OF VERMONT
PUBLIC UTILITY COMMISSION

CASE NUMBER 23-2221-INV

INVESTIGATION INTO THE CLEAN HEAT STANDARD
DEFAULT DELIVERY AGENT COSTS AND QUANTITIES

January 25, 2024
1:15 p.m.

Workshop held before the Vermont Public Utility Commission via Go To Meeting on January 25, 2024, beginning at 1:15 p.m.

P R E S E N T

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	Margaret Cheney
	Riley Allen
STAFF MEMBERS:	Thomas Knauer
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MR. KNAUER: Good afternoon everyone. This is a workshop in Case Number 23-2221-INV regarding the Public Utility Commission's investigation into the clean heat standard default delivery agent costs and quantities.

My name is Tom Knauer and I'm the policy director at the Commission and I will be running today's workshop. I'm joined by Chair Roisman and Commissioners Allen and Cheney will be joining us momentarily. Also from the Commission we have Deirdre Morris who is a policy analyst working on the clean heat project and Dominic Gatti who is a Department of Energy Clean Energy Fellow who is embedded with the Commission.

We have two purposes for today's workshop. First we will discuss participants' filings regarding potential Default Delivery Agent obligations, responsibilities, and the potential number of default delivery agents. We have reviewed those filings and we will have some questions that we will ask of the filers as well as open floor to discussion, and then the second purpose of today's workshop will be to discuss the remainder of the schedule for this case. As people are aware, the Commission established a schedule in this proceeding and then on December 18th granted an extension of the filing deadline for the comments that are the subject of today's workshop, and there was notice in that December 18th order that participants should be prepared to discuss the schedule at today's workshop. So that's our plan for today.

Folks should be aware that today's workshop is being transcribed by a court reporter and a transcript of today's proceeding will be available in ePUC. In order to help establish a clear record please say your name each time that you speak and also please refrain from talking over one another.

So having covered these preliminary things I would like to begin by allowing attendees to introduce themselves for the record, and if anyone intends to record today's workshop please say so when you introduce yourself and I will call on people in the order that I see them on me screen. So first we have Dylan Giambatista from Vermont Gas.

MR. MORSE: I'm going to jump in here. This is Greg Morse from Vermont Gas on behalf of our team. We do have Dylan Giambatista, Jill Pfenning, and Mary Bouchard.

MR. KNAUER: All right. Welcome. Next Brian Woods from ANR.

MR. WOODS: Yes. Thanks, Tom. Brian Woods, Vermont Agency of Natural Resources.

MR. KNAUER: And Henry Mauck.

MR. MAUCK: Hello. My name is Henry Mauck. I'm an attorney with the Department of Public Service. Thanks.

MR. KNAUER: All right, and you can introduce the rest of the Department team if you like or I can call on them individually as you wish.

MR. MAUCK: Sure I'll go ahead. We have TJ Poor who is director of planning for the Department, and we also have Ben Bolaski and Matthew Bakerpoole working for the Department, and those are the only people from the Department that I'm aware of here today, but if there are more they can speak up. Thanks.

MR. KNAUER: Annette Smith.

MS. SMITH: Annette Smith from Vermonters For a Clean Environment and I'm audio recording this.

MR. KNAUER: Thank you. Dave Westman.

MR. WESTMAN: Good morning. Dave Westman for VEIC, and today we're also joined by Emily Roscoe and Haley Roe.

MR. KNAUER: Welcome to all. John

Brabant.

MR. BRABANT: Good afternoon. John Brabant. I work at VCE and I'm also attending as a member of the to-be-impacted public. Thank you.

MR. KNAUER: Donna Leban.

MS. LEBAN: Hi. Donna Leban. I'm an independent consultant and reporting back not necessarily representing AIA Vermont. Thank you.

MR. KNAUER: And on the phone we have Thomas Weiss.

MR. WEISS: This is Thomas Weiss, party to the proceeding.

MR. KNAUER: And I believe the last person is Victoria Underhill.

MS. UNDERHILL: This is Victoria Underhill with Urban Living Limited.

MR. KNAUER: Welcome. Have we missed anyone? Don't think so. So let's get right into it. So we received filings from the Department of Public Service, Vermont Fuel Dealers, VEIC, Thomas Weiss, and Vermont Gas and potentially some others as well. I have questions for those folks who I just listed. I know that my colleagues from the Commission also have questions so I'm going to suggest that we focus on each filer in turn. We'll ask questions. Welcome lots of back and forth discussion with everyone who is here today. Folks are invited to ask their own questions. I'm really hoping this will be a back and forth dialogue so that we can build a good record that the Commission can use down the road when making its determinations.

So I want to start with the comments filed by the Department of Public Service. So one point that the Department of Public Service made is that it's conceivable to appoint the delivery agents to deliver different clean heat measures or to deliver them to different populations or market segments, and the Department also I believe suggested that the Commission should not assign default delivery agents to deliver services already offered through existing programs. So I have a question about that last point. First I just want to invite someone from the Department to kind of expand on that thought where we shouldn't have DDAs offer services already offered through existing programs.

MR. POOR: Sure. TJ Poor from the Department and I'll just appreciate your forbearance as I've recently started to become the lead on the clean heat standard at the Department so I am catching up a little bit as we go here, but on that last point I think one of the concerns we're flagging, and I'll invite others from the team here to chime in, but is, for example, if we had the DDA providing low income weatherization services and we already have a really robust program for delivering to that population that potential clean heat measure, weatherization, right, and it would -- it would be -- appear to be administratively inefficient to overlap that, and you would be having certain low income customers getting different -- different types of services that may or may not qualify under the clean heat standard. So I think that overlap just creates some inefficiency and I think that's a lot of the genesis of that comment.

MR. KNAUER: So should I interpret the Department's comment there to really focus more on providing low income weatherization services or is it broader to other potential clean heat measures?

MR. POOR: Well I think it is where there's already statewide services I think it gets a little more complicated when there's a -- more of a competitive market for services, and so, you know, as we develop in the clean heat standard market weatherization we do have a program for that that could expand, but there's also other entities that could provide those services, and so I think we want to be cautious on how we design the DDA, what we ask them to do, so we're not undercutting some other program that is already funded, and so I think we're, one, thinking state funded programs already, but then also we need to figure out how that works in the context of something like tier three as well so which is not state funded, but it's a state requirement.

MR. KNAUER: I'm trying to rationalize this perspective. The question is what's left for a DDA to do if they -- are we walling off services that are already provided by efficiency utilities in the thermal sector and saying the default to the free agent would be precluded from having that within its scope of work?

MR. POOR: I don't think so. You know when I think about -- and maybe this is -- as we refine this through discussion maybe it is a low income focus, but we -- you know the low income weatherization agencies right now are full capacity. They have more money than they can spend right now. Frankly I think that's -- that's true with our market rate programs as well with all the federal funding, and so if we were then to assign a DDA to do it, I'm not sure what we would be getting out of that. So it could be market and measure specific and provide some nuance.

MR. KNAUER: All right. Any other -- Dominic, I saw you -- did you unmute yourself? Did you have question on this?

MR. GATTI: Yes a followup question. When we are thinking about the programs that might need to be considered and possibly have DDAs not be doing those activities, if a DDA is interested in doing an activity it would be because under the clean heat standard program it would be eligible to generate a credit. If there are already state programs that are engaging in these activities, my current understanding is that wherever it comes from it would still generate a credit. How would you imagine the credits generated by something like the existing low income weatherization program would make their way into the overall credit system?

MR. POOR: Well those -- there's -- that entity has ownership of the -- of the credits and I'm not sure how far along the Commission is in the tracking and reporting and verifying of credits portion of the proceedings here, but, you know, if there was a mechanism like the -- you know akin to renewable energy credit tracking, then those credits get applied to be verified by the Commission as eligible credits and then they are able to be purchased and sold and you can transfer them in the tracking system to another entity with that transaction happening on the side. So if a weatherization agency, you know, said hey we have a thousand credits from doing a thousand homes, then the PUC says yes these types of credits are eligible and they are in the system, and then the weatherization agency could just transfer those to -- could be to a DDA or it could be to an obligated entity that wants the credits. You know in that way -- I guess I'll just continue on. In that way, you know, a DDA could be providing an administrative function I think where they are -- you know the obligated entity may actually purchase from the DDA those low income weatherization credits, but they aren't implementing the program itself if that makes sense. So drawing that -- drawing that line. So weatherization essentially sells those credits to the DDA and has it as a direct line to sell them to the DDA that funds more low income weatherization and then the DDA disburses those to obligated entities in a separate transaction.

COMMISSIONER ALLEN: Can I follow up?

Riley Allen with the Commission. I'm just thinking about what you're saying and I'm just wondering if in fact what we're -- what we might end up doing is actually relying on the weatherization agencies as the effective DDA or whether having a separate DDA is a, you know, necessary administrative component of the framework that we create.

MR. POOR: Yeah I'm not sure if you were looking for a response to that or not.

COMMISSIONER ALLEN: I would welcome one, but if you're not able to respond, then I accept that.

MR. POOR: I think we need to be careful about providing -- we need to be careful about tasking our weatherization agencies with another administrative task, but I, you know, having the weatherization agencies be kind of an automatic portion of the low income requirement or a -- you know a part of what a DDA could be we're definitely worth considering. I see, Ben, you came on screen. I don't know if you have anything to add on that.

MR. BOLASKI: Yeah I just was thinking about it. You know obviously it's an interesting -- like you just said we don't want to overly burden the weatherization agencies because they have got a lot to do already, but, you know, low income weatherization is quite complex, and I think when we were thinking about this basically we wanted to -- we didn't want to have a bunch of other entities essentially competing with a -- with the funded weatherization program because, you know, they kind of already have their hands full as it were with the responsibilities they are tasked with, but they also do an extremely good job of weatherizing low income folks. They have a robust quality control process. I myself used to work in the low income weatherization, one of the eight CAP agencies, so I'm familiar with the process. So I think there could be some value in having weatherization agencies kind of in a role where they could provide the majority of, you know, the LMI credits from weatherization projects.

You know TJ just described a scenario where they could essentially sell those credits, you know, to more further fund the program. So yeah we were just thinking about this construct of, you know, they are kind of already the standard bearer for low income weatherization, and increasing competition in that space might -- might make things more complicated than they need to be in that kind of segment of the, you know, clean heat measure realm.

Yeah I mean that's what we were getting at with those comments initially to your question, Tom, was really we didn't want a whole bunch of other folks, you know, in competition with the long standing weatherization program I think. We wanted to try to limit that because, you know, they are doing a great job and it could further complicate that space. So yeah that's kind of -- I just wanted to make that point.

MR. KNAUER: Thank you. Chair Roisman.

CHAIRMAN ROISMAN: Thank you. At the risk of wading into deep economic waters in which I do not normally swim I'm a little puzzled by the Department's position. I hear you saying you don't want to complicate the life of the weatherization people and I certainly agree with that and that their work is very well done and quite competent and I certainly agree with that. Why do you want to even bring them into this? If the net effect of the weatherization program is to take x amount of carbon out of the system, then the burden that falls on obligated parties across the board is lower. That seems to me to be an automatic effect so that if we know at any given year that there are going to be --

just pick a number -- a thousand gallons less propane or fuel oil that has to be sold in Vermont, that should just go to the benefit of the obligated parties. If they aren't doing the weatherization and somebody else is, why do we want to complicate it by turning it into a credit and then having someone have to buy the credit. That seems to me to be complicating the system rather than simplifying the system. Clean heat standard ought to be filling the gap not replacing what's already there. So I'm curious why you feel it's better to put the weatherization program that already exists into the clean heat standard process and get into this to me unnecessarily complicated economic credit market.

MR. POOR: Well I think the idea there is that if, you know, weatherization programs are going forward and they do have, you know, federal funding and small amount of state funding to move forward, and if they get credit for that, then they can actually get money to do more weatherization. So it's not filling the gap, but it's doing more -- doing more weatherization, and so it then creates kind of a revenue stream with the funding that they already have, and the legislation I think directs, you know, a number of the certain percentage of the credits need to be -- to be installed measures like weatherization and they also need to be low income, and so there's a -- there's like a nexus of a number of reasons there to -- to include low income.

MR. BOLASKI: Right and to add to TJ's point basically where we're coming from is that, you know, the weatherization program is already in these low income households obviously weatherizing, but the funding they receive is -- is largely earmarked towards -- you know it's a very high load kind of funding stream for them. They have to do a certain amount of money towards only weatherization measures. They have a certain pool of money they can do towards energy efficiency upgrades for heating systems, for example, and I think where we're coming at it from when you have, you know, from our perspective we were thinking of it there's not too many, you know, low -- low income folks going out on their own and buying heat pumps you know. So in order to ensure that low income -- the low income population is benefitting from the technologies such as heat pumps, you know, the low income weatherization program is kind of the conduit through which to get that technology to those -- to those people because it is a no cost program to them, and further revenue streams by selling credits could be used towards, you know, further adoption of heat pump technology, for example, in a low income house, you know, and they really are able to tie in a large -- you know they do weatherization great, but they also have a number of partners around the state that do HVAC work, and so it's a really comprehensive program that would allow in terms of a -- from an equity standpoint it really allows the low income population to access that technology and ensure that it's actually going into their homes.

I think the obligated parties might have a difficult time, you know, basically selling a heat pump, for example, to a low income -- low income population because that's not something that's really happening a ton, you know, independent of the weatherization program. It's the way we were conceptualizing that.

CHAIRMAN ROISMAN: What I'm trying to understand is why they are running this through this extra step creating a credit, buying a credit, selling a credit. The DDA gets money from the obligated party. If they don't want to go through the process of doing installation itself and I understand why that is, although really -- we really need to hear from the obligated parties about whether they want to do that, that's a new business for them and it can replace the fuel business and we're waiting to hear all of that, but for the moment they can just give the credit, whatever the cost of a credit is at a particular time, they can give that money to the DDA and the DDA can then decide do we want to use the weatherization agency for that, do we want to use some private entity that sprung up and went into the business of fulfilling the weatherization work.

What you're doing is you're creating this whole credit system and driving all the money into one agency and it both adds it seems to me a complicated step, but it also narrows the number of business opportunities for people who might want to -- I mean it would be nice to have a private business in Vermont or businesses that were doing weatherization and were getting money from obligated parties who don't want to try and do it themselves. So I'm trying to understand why this suggestion is coming from the Department to uniquely, one, create this credit transaction, and, two, to send it only into the weatherization people.

MR. POOR: So I think the credit transaction is created by the structure of the clean heat standard and I think normally -- I can appreciate your question because normally I think we are advocating for the market to compete to drive to the lower -- lowest price and I think that's what you're suggesting in terms of hey if somebody else comes up maybe the DDA can, you know, give the -- that money to do low income weatherization to, you know, you know, TJ Poor LLC, and the problem I think with that is, and Ben you can probably speak clearer to this than I can, but is that the work that's done for low income weatherization is really comprehensive and it is health and safety measures, it is, you know, it's -- it is a social service with, you know, energy as its core, and so what we don't want is the clean heat standard to create a situation where TJ Poor LLC like cuts off the energy savings and then does it poorly and doesn't have the quality control quality assurance that our weatherization programs do, and, you know, we have the most confidence in those weatherization programs. We don't think it's viable to recreate the wheel. It would be great to have other companies in the state doing this work, but there's a reason that they don't. It's because it's really expensive and it's really hard and that's why it's fallen to government to manage it, and so I think -- I think that's -- we're kind of recognizing that reality and saying well let's not duplicate that here in the clean heat standard.

MR. BOLASKI: Yeah I think you're spot on, TJ. Yeah to add to that point I think, you know, it's simply to really the point that it's very expensive to weatherize a low income household, but everything that comes along with it really is the regulations that are in place from the Department of Energy and the state weatherization agency or OEO ensure is that low income households really get a very comprehensive weatherization project done, and to be clear low income weatherization project, if we're going to kind of define that, is not simply blowing cellulose into an attic and, you know, insulating the band joist or joist in the basement. You know we have households in Vermont that you know I have personally weatherized they have, you know, holes in the wall, no front door, you know, standing water in the basement, combustible heating appliances that are in very poor shape, you know, and in a lot of cases dangerous. So the weatherization program is able to really take it from -- you know solve all the issues that would preclude a weatherization project and, you know, solve all those and actually weatherize and upgrade heating systems so, you know, so that they are safe.

So I think yeah like TJ said it's kind of a -- we were thinking that it's -- we don't really want to reinvent the wheel in that case, and to my knowledge I don't know if there's a lot of weatherization of low income households going on outside of the weatherization agencies, you know, because of course outside of that is the -- the folks would have to pay for it, but, you know, we're thinking from an equity perspective the quality control that's in place and the weatherization agencies is really -- is topnotch and would make sure that the folks in at the lower end of the income scale are getting a fair shake and are left with a product that is a healthier home and ultimately less costly to run and upkeep. So that's where we're coming at it from that perspective.

MR. KNAUER: Donna, go ahead.

MS. LEBAN: Just a -- I mean I love this discussion. I'm just curious as to since the -- since the OEO model works so well how do we think about applying that same model to moderate income because it's just like, you know, I've worked in efficiency programs before and, you know, expecting people to, you know, shell out a lot of money and then get measures done and then get reimbursed for it, it cuts out a huge percentage of the people who would probably be doing something, and the great thing about the weatherization model is, you know, it kind of takes away the transactional element. You know a lot of moderate income people really don't understand what's wrong with their houses or how to be more efficient, and you know just telling them how to do it doesn't really get you there. You know it's just the weatherization model it kind of -- it does the work and they are better off as soon as it's done, and I just think we want to keep focusing on a model because that's what's going to be effective.

You know the efficiency programs have been -- have been good for people who have a lot of motivation or who are doing things that are really simple, but a lot of -- a lot of -- a lot of weatherization work is not that simple and fuel switching is for many people really major. So just kind of wanted to put that opinion out there that I think you got to keep this as simple as possible. Whether it involves credits or not I don't care. You know I would like just to keep it really simple because I've seen programs in the past you can build a little bit of resentment on the part of people who are delivering measures to have an entity, you know, which is keeping a fair amount of administrative costs in their pocket and then delivering a fairly small percentage of that money to the people who are delivering the measures and then having people having to pay for the remainder of those costs. I think it's more efficient if it can be more direct -- the spending can be a little more direct on measures. My two cents.

MR. KNAUER: Thank you. So just invitation to workshop participants at any time that you want to speak please do as Annette Smith has just done or raise your hand or turn on your camera or unmute yourself. Please go ahead, Annette.

MS. SMITH: The more I learn about this the more complicated it gets. So having listened to the legislative testimony the purpose of the clean heat standard is to reduce fossil fuel consumption and encourage the fuel dealers to change their business model so that they are doing the things that the clean heat standard wants them to do, and as I listen I thought Chair Roisman's question was a really good question. As I listened to the discussion it seems like we have all these entities that aren't involved in fossil fuels who are doing weatherization who are already selling heat pumps who are going to be generating lots and lots and lots of credits, but it's the fuel dealers who are obligated to own them which means it's going to drive up the price of fuel tremendously. More than I had realized for the remaining customers. So I really don't understand how this is going to work. I'm sorry my comment is probably not helpful except to say I agree that keeping this as simple as possible is desired.

MR. KNAUER: Thank you for the comment and no need to apologize that it may not have been directly in line with what we were just discussing. You know all comments are apt and appreciate people continuing to voice what they are seeing.

So I'm going to move on to my next question for the Department. This is -- relates to kind of an -- almost a question that the Department asked, but it was a point/question. So I'm going to raise this to the entire group to discuss and that is you know in a scenario where we have more than one default delivery agent whether the clean heat credit price charged to obligated parties should be consistent across those DDAs or whether they can be different. If the Department has a thought on that welcome or if other folks want to weigh in on that, please go ahead and I see Matt Cota has raised his hand.

MR. COTA: The question was to the Department so I don't speak for the Department.

MR. KNAUER: Go ahead.

MR. COTA: So it's my understanding that the DDA would be the ceiling of the credit price, and please correct me if I'm misunderstanding this, but I understand through the process that the DDA becomes the credit for the obligated party of last resort and it becomes set in terms of pricing discovery tool in that. There are all sorts of measures that would qualify for credits and the TAG working with staff, the consultants, and the PUC will develop that to determine which energy product or energy service reduces greenhouse gas emissions and then receives a commensurate amount of credits which is to be required by the obligated parties in accordance with reaching the mandates of the Act.

The question we always had throughout it okay how do you set that price discovery function so I know whether to invest in this as an obligated party in this sort of energy product or this service, and it was thought that the DDA price would be uniform and it would be -- it would essentially be in the investment in a clean heat fuel or clean energy service is more for me the obligated party than what the DDA set prices which is set by the PUC, well then I'm just -- that was okay with the DDA, but if I can figure out how to utilize my company to generate credits to reduce my obligations and then that is a cost benefit than just paying the DDA, then we have that opportunity to do that as well.

I think it's really important that we have that opportunity because if we were very successful at transforming this marketplace so that all the obligated parties become financially viable by reducing the sales of their core product because that's the gambit here, the DDA becomes completely unnecessary. So it was my understanding that if the DDA is set the price of the credit that you pay to the DDA instead of an alternative compliance payment it is set by the PUC then that would be the same no matter if there was 20 different DDAs, and the DDA price and the DDA payments from the obligated parties will -- because of the legislation that's set up so that a third of our credits from the obligated parties have to come from low and moderate Vermonters as stated before some of the more difficult, as Donna excellently stated, some of the more difficult areas for us to obtain credits. We can sell a bunch of heat pumps to people in 3,000 square foot homes, but being able to convince someone of more modest means to weatherize or install a five or six thousand dollar piece of equipment. So for obligated parties we can handle the two-thirds. It's the one-third we may not be able to do even if we wanted to because we don't have that capacity, and then that would be the burden or responsibilities of the DDA based on the price that the PUC sets. Now if I have any of this wrong, please clarify. Thank you very much.

MR. KNAUER: Yeah so Matt a lot to be determined as you well know, but I wouldn't disagree with anything that you just said. Functionally probably the DDA price would be a ceiling, but I don't think like the PUC would mandate that it be a ceiling you know. The obligated party could choose to do work on its own even if its cost was more than a DDA for whatever reason; relationships with its customers, you know, what have you.

MR. COTA: Very true. Sorry about that. Clarify someone could spend more than the DDA. There's not the profit motivation to do so. It might be a different motivation.

MR. KNAUER: Okay. Anyone else want to pick up this thread of whether in a scenario where there's multiple DDAs there should be a common per credit cost?

COMMISSIONER ALLEN: TJ is trying to jump in.

MR. POOR: Just to reiterate our comments a little bit as we think there should be a consistent price. You know another thing that -- another unintended impact of inconsistent prices for DDAs that would drive the obligated entity to go for the lowest price, and that, you know, depending on what that DDA is offering it could just drive a result that may or may not be good for Vermonters, right. You know in terms of a mix of measures and kind of long term stable program it could just start to drive -- it will drive all the participation in the DDA to that lower price DDA, and so they have all got to be at one price I think.

MR. KNAUER: Thomas Weiss, I see that you are unmuted.

MR. WEISS: I am. This is Thomas Weiss and I think that -- let me start. I believe that the credit -- the cost of the per credit or the per credit amount is based on a certain amount of presumption of carbon dioxide equivalent reductions and I think it is appropriate that all DDAs have their costs or they are assigned the same credit cost, and that would I guess create some competition among the DDAs for getting lower costs that if they can -- I think I'm working in a circle here or backwards or away from where I want to go -- I think I'll leave it there. I think they should have -- all have the same credit price and then any differences in what they are providing would be reflected by the actual carbon dioxide equivalent reductions of the measures they are offering.

MR. KNAUER: Thank you, Mr. Weiss. Greg Morse.

MR. MORSE: Hi Greg Morse VGS. I think we just wanted to make the point that we believe fixing the costs for the DDA is actually more likely to stifle competition. I don't think I understand what would drive a DDA to offer the lowest price possible if the costs are all fixed. So we want to advocate for a market structure that allows for the achievement of the lowest -- the highest amount of reduction at the lowest cost and giving every DDA the same price doesn't seem to me to do that. Thank you.

COMMISSIONER ALLEN: Tom, can I follow

up on that?

MR. KNAUER: Yes you can and then Commissioner Allen wanted to jump in and then Dave Westman and then Thomas Weiss.

COMMISSIONER ALLEN: So I just want to follow up on I think it was Mr. Morse from Vermont Gas and I just want to tease out something. In my mind you could have potentially multiple DDAs and potentially kind of add some measure of, you know, competition between those DDAs although I'm not -- I don't want to go too far down that track, but in my mind if there were DDAs that are more kind of technology specific or market specific, in my mind you want to let the -- there would be room for the credit prices to actually reflect the differential character of services that are being delivered, carbon reduction change, and you might be able to actually achieve both that competitive dynamic that you're alluding to and you know recognize that there is, you know, common thread in the carbon reduction objectives by creating in essence a backstop that allows, you know, essentially the credits for different DDAs to float with the underlying character of the costs. I'll stop there. It's a bit of an ungainly question, but hopefully you get the gist of what I'm suggesting.

MR. MORSE: Yes sure. Thank you for that question. I think we mostly agree that the different types of measures and the different classifications of credit category would result in different prices for those different units, and we would advocate that those different characteristics flow through from the DDA to the credit price paid by the OPs.

MR. KNAUER: Dave Westman.

MR. WESTMAN: Thank you. Yeah in the spirit of the workshop setting this is a little bit just responding in realtime and so I'll speak in draft form and hope to be -- hope to be clear. From the perspective -- and, I'm sorry, Dave Westman VEIC. From the perspective we filed our comments are that the clean heat credit market is where credit formation happens in a competitive environment where the lowest credit is sold, lowest price credit is sold to an obligated party, and if an obligated party has a ready or available source of low price credits, then they can put forward a plan to the PUC to opt out of the DDA service, and so we think of the DDA service as being in a sense a form of regulated service by the utility commission, and so I would not think that competition among DDAs would therefore be desirable just simply because forms of regulated service are generally not in competition with each other. It's the same reason why utilities don't have overlapping service territory.

So that's my sort of off the top reaction to this conversation, and then the last point that I wanted to raise is that the DDA would have a specific cost. That cost would be submitted as part of a plan, and so I think that's partially what we're here in this workshop today is identifying what plans are needed for DDA services.

Now obviously there are, you know, we filed our comments and we used weatherization as an example, but it certainly doesn't have to be limited to weatherization services alone. DDA can provide multiple services, but nonetheless a plan that would be advanced would have a cost associated with it. That cost would then be made public and then obligated parties have the opportunity to opt in or out of that plan and that would affect the cost and the Department raised very important comments on that process as well. So there -- I'll leave my comments there for now.

MR. KNAUER: Thank you, Dave. So I'm

going to call on people in the order that I see them. We've got Thomas Weiss, Matt Cota, TJ Poor, and then Commissioner Allen I believe.

MR. WEISS: This is Thomas Weiss again. First of all, I'm not clear on who sets the credit cost. I think the PUC sets the credit cost and assigns it to the DDA and I would like some clarification on that at some point along the line.

My comment on this discussion is I don't see that it makes much difference whether the DDAs all get the same credit cost or whether some get different ones. I have a feeling that the market will drive people to select the lower price credits they choose to go through the DDA. So if there's a credit price differential for the same amount of CO2 equivalent reduction, then the higher price DDAs would not get as much business as the lower cost DDAs because the obligated parties have to pay whatever amount it is to the DDA, and Matt Cota may have some more opinion on this, but I would think the obligated parties would tend to go to the lower cost DDAs to begin with and then as those lower cost measures are basically all installed start going up to the higher cost measures. That's my comment.

MR. KNAUER: Thank you. Go ahead, Matt.

MR. COTA: Just like to say that I agree with almost everything that David Westman just said. I think it's very important that the DDA, whether there's one or two, be a statewide entity. You can be in a situation where fuel dealers are not regulated. We are competitive. You can see a situation where a fuel dealer is in Bennington County would be paying a DDA in Burlington -- in Chittenden County and none of the people in Bennington would be getting any of the benefit of the greenhouse gas emissions only higher prices. I think it's important that the legislative intent be statewide.

Second, the DDA price setting will be determined by the PUC. Whoever wants to be the DDA will have to say I can deliver these services at this price and the PUC will determine whether or not that's the accurate price. That's my understanding, but the one thing I disagree with with Mr. Westman is that we're not going to come up with a plan. We're going to come up with a bill and that's going to be when we register on June 31st of this year and hopefully July 1st the following years, but based on our prior gallons we will know whether or not we have obtained through the work we have done ourselves as obligated entities that can perform clean heat services and sell clean heat products or whether we partnered or bought in a credit market those credits or whether or not we come up short. In other words, there will be some companies that both buy credits through the DDA at a set price as determined by the PUC and also obtaining or generating their own credits. That's the point of this legislation. If it were simply a tax or a fee to fund an efficiency utility to do this work, the Legislature would have done that. They did not. They created this complicated system, left it to sort out for the PUC, and if this works companies will do both. They will see how many credits they can generate below that fixed price the PUC creates for the DDA price and where they come up short. If they come up short, they will write a check. If those credits are those that must be obtained by low and moderate income Vermonters, the DDA will have the burden and the responsibility to ensure that the monies that they collect from the obligated parties that can't meet their own credit obligations will ascribe measures in those homes.

MR. KNAUER: TJ you're next if you still have a point.

MR. POOR: Sorry I thought I took my

hand down. Mr. Westman said a lot of what I was going to say. Thank you.

MR. KNAUER: Commissioner Allen.

COMMISSIONER ALLEN: Yeah so maybe I'm -- given the weight of countervailing voices I may be playing the role of the devil's advocate, but I in my mind having, you know, a set price for the credits is not -- doesn't necessarily obviate the potential for infusing in some measure of a competitive dynamic, but putting that aside for the moment in my mind you could, if it were rationale, I think the legislation even if they were contemplating statewide DDA, you know I think it allows for the creation of more than one DDA if it's more efficient or sensible to do that; and just as we have multiple regulated monopoly utilities in the state with different price levels you could have potentially multiple DDAs and have different -- essentially different determinations related to credits and the like, but in my mind there -- you know the services that we're talking about are really creating in essence a backstop service not necessarily creating a monopoly. In fact, if anything, I think there is you know -- I think what is contemplated is creating a backstop with a competitive dynamic, but in my mind it doesn't have to be a statewide entity, and I don't think you know given some of these other services that we can regulate and set price levels for sometimes is a backstop, like standard offer program, there's still some opportunities for infusing some measure of a competitive dynamic. So I guess that's just sort of a statement and I wouldn't mind Dave or others kind of pushing back on that if they see it very differently.

MR. KNAUER: As Dave is thinking about whether he wants to respond, Donna I see that you have popped up.

MS. LEBAN: This is actually a question that I've been considering for a while trying to understand how the DDA could function as, you know, it seems some entities are measure installation oriented. They install, warranty their work. You know they are responsible for the work that's done, and then, you know, others, you know, like the efficiency utility are more of an administrator. You know they offer other services, but they do not directly install and they definitely don't warranty anything themselves, and I've always been concerned about the efficiency utilities' role in being an administrator and not a very transparent administrator both of how -- of how, you know, resources get spent.

So I guess I would like -- I would just like to learn a little bit more about how -- how a DDA that's more of an administrator could be working alongside DDAs that are, you know, really installation and you know very much more customer oriented in that they are the direct service provider because I have had trouble really understanding that for a while.

MR. KNAUER: Donna, I have a question. Are you wondering how those two different types of entities could co-exist in the same program?

MS. LEBAN: Well yes. It seems like they are not necessarily able to provide things in the same way, you know, because, you know, I read some -- some of Efficiency Vermont's materials about all the additional services they could provide. Yes they can provide a lot of administrative things and even training and all sorts of other things that aren't necessarily critical to the -- you know to the clean heat standard. They are critical features of the energy efficiency environment in the state, but they are not necessarily critical to the clean heat standard, and you know so why you would have an entity that already is providing those services competing alongside installation contractors who could also deliver -- who can deliver the services directly as opposed to underneath something, an administrative function, like why do we need the higher level of administrative functions when I think a lot of the public trust is going to be determined by, you know, how much of this money actually gets spent creating actual carbon savings, you know, because training is something that has to happen anyway and it really probably doesn't belong in this -- in this program. I mean, you know, there's efforts of certifying contractors which really have to be done statewide for all sorts of other reasons and I don't think they belong. They don't belong under this -- under this program.

MR. KNAUER: Dave, thank you for waiting and, Matt, looks like you have a comment as well afterward. Dave, you're muted.

MR. WESTMAN: Thank you, Tom. I was actually just saying thank you for navigating all of these comments and helping us stay organized in this discussion. I'm going to first respond to Commissioner Allen's question and then speak briefly to Donna's last question about what is the role of the administrator and what is the administrative function for a DDA over the direct install. We address that briefly in our comments as well.

So on Commissioner Allen's question generally speaking I was taking that to be a question of why not have multiple DDAs identified by the Commission and have those DDAs presented at essentially different prices, and I guess the short answer would be that it's hard to see how that would work in the process as we've read it in the statute because if a -- if a DDA has a lower price than a different -- than a second DDA, then everyone is just going to go with that first DDA and the second DDA then becomes a sort of superfluous or non-material designation because they wouldn't actually receive any incremental funds and so that second DDA essentially doesn't do any services. So that, you know, that is my -- that is our understanding of it is that if there were multiple DDAs there -- out there, presumably the obligated parties would have the opportunity to choose which ones they were taking advantage of and, you know, similar to Mr. Cota's comments I think that's actually supposed to be the role of the competitive market where market based credit formation can be done at a price that is cheaper and more -- and that's what the obligated parties will choose to reach their compliance costs with, and so the DDA is sort of, as we've understood it to be, the backstop.

The question that Donna raised I think is -- I actually really resonated with TJ's earlier comments on the value of the weatherization assistance program and that set of criteria and the standards that go into that. So presumably the DDA service is doing something that is relatively complicated. Something that a direct installer probably can't do because I would think a direct installer would want to go into the market and try to sell credits at the competitive pricing rather than to go through the complicated time and investment and resources to get a DDA appointment and therefore go through the process of fixing a price. That is our assumption and that the administrative act of a DDA has more on its plate than simply a direct install of a specific technology. We see it as being probably a market uplift opportunity because again if the clean heat standard -- I'm sorry. If the thermal sector were achieving reductions that the rate of the Global Warming Solutions Act requires, then the clean heat standard wouldn't have been passed and so presumably the DDA is there to do the hard work which is more than just a direct install opportunity.

MR. KNAUER: Thank you, Dave. We have Matt Cota and Chair Roisman.

MR. COTA: Just to go on what David said I am not going to offer my opinion on why the clean heat standard passed, but I have one. I agree with his assessment that DDA is the backstop. Pull back here. In a perfect world no money changes hands. No consumers get a rebate or incentive or discount and no obligated party in a perfect world. As the system is designed we can transform our businesses as fuel sellers, sell renewable fuels, and transform our work force in order to provide services that reduce greenhouse gas emissions and to meet the obligations set by the PUC in response to the mandates of Global Warming Solutions Act. That could happen. It won't. So that's why the DDA was created recognizing that there will be some companies that cannot or will not earn enough credits to satisfy their obligations at the end of the year and that's why we have the DDA as the entity of last resort as the price discovery mechanism so we know what different competitive things that we can do under that price in order to achieve the credits that we're obligated to achieve while also doing the things that the Legislature or the clean heat standard intended which is greenhouse gas reductions. So whether there's one, two, or three DDAs it's going to be an incredibly difficult challenge for them to pick up what we don't do because that's what you're going to get. A DDA is going to get all of the different credits that we couldn't obtain to meet our obligation, and quite frankly those will likely be those that have the least amount of money to make a transformation, whether it's investing in weatherization or a new heating appliance they will be the ones that we can't obtain those credits for. We will just pay for someone else to comply. That will be the DDA at the set price that we're told that is set by the PUC.

I know I sound I'm blue in my face, but this is -- this is -- this is how I envision it working on behalf of those that are both earning credits by performing these clean heat services and supplying clean heat products and those obligated to obtain those or also make an alternative payment this is what they are basing -- preliminarily basing their business models around; if this passes how will we comply, will we simply write a check to the DDA based on the price that the PUC is going to tell us, or are we going to do x, y, and z that will obtain credits so that we can lower obligations. We don't have to write a check to a DDA or the check that we write to a DDA is smaller. Thanks.

MR. KNAUER: Tony, you're up.

CHAIRMAN ROISMAN: The discussion about whether there's one or more DDAs has turned on only dollars, but it has disregarded service. Matt Cota talked about the fact that fuel dealers want to have whatever credits they have to buy, if you will, from the DDA delivered more to their customer base. They might want to have the credit number be a little higher if it means that the people who they for other reasons want to do business with or that their customers want to trust to come into their homes and do things than the lowest price.

So I don't think we should assume that only dollars will decide the outcome and that the DDAs, even if the price of the credit is exactly the same, will not be competing with each other on something else. Look at all the regulated industries that provide the, I quote, identical service at the same price who compete with each other on something else. So I don't see a problem with us having multiple DDAs and I very much hope that Matt Cota's scenario is not just a pie in the sky. I mean to me the ultimate outcome is that a viable industry made up of people who used to be in the fuel delivery business arrives in Vermont and the fuel dealers continue to survive financially in a different form of business that they have connection to and an interest in, and that there isn't some DDA that's out there. You remember the DDA that gets credit money has to go out into the marketplace some place and buy the service that the credit is supposed to be getting. Most efficient system would be to not have to go through all of the bells and whistles of the clean heat standard and just have what Matt Cota described. I agree with him it is probably not going to happen all by itself and there will be a need for a DDA or DDAs, but I don't think we should measure only on what the economic cost is. I think that there are values involved.

MR. KNAUER: I'm going to move us along to my next question still on pivoting off the Department's filed comments and it's an interesting question. What happens if the DDA's credit cost changes as a result of obligated parties' elections? Does the credit cost still need to be honored? I'm going to expand on this just so folks can -- the

Department can correct me if I'm wrong and hopefully this will help illustrate for all involved the DDA needs to say here's what I can deliver a credit at. Once the Commission, you know, sets that number obligated parties have 120 days under the statute to decide whether they want to use that or file their own plan. When the DDA learns of how many obligated parties are going to participate in its services, presumably under the scenario the Department was talking about if the number of obligated parties who would like to participate in the DDA services is a lot less but there's still some fixed costs, you know, the per credit cost might go up and my -- my laying this out right, TJ, and you know if that per credit cost goes up, you know, what do we do in that scenario. Does the DDA need to honor the initial bit for lack of a better term? Matt, I see that you're ready to react to this.

MR. COTA: Yeah I just -- I just want to reiterate the importance of the price function of the DDA to the PUC. A decision is going to be made at some point where the PUC assigns a credit cost to the DDA and that will be how 250 million gallons of heating fuel will be priced for the next one, two, three years. I believe it's a three-year interval if

I'm correct. So this price is critical and it's critical that that number holds. Fuel dealers are buying 9, 18 months in advance their product for the coming winter. Only a few of them drive under the rack and pay the day they buy it. Many of them are hedging. They are making contracts. So to have the DDA price change midstream after they have bought their fuel for the next two years or portions of their fuel for the next two years will have a dramatic impact on the price customers pay. So can they sell -- earn credits below the DDA price by earning them, yes, but the function of the DDA and the price discovery mechanism the PUC sets on that credit price that the DDA will collect the obligated parties cannot show credits is super important that it stay like a contract. Like our contract that we have to honor it should stay, and once we know that price, say it's -- say it's a gallon of fossil heating fuel you sell it's 10 cents, that's 25 million dollars we have to figure out. Obligated parties are going to have to collect that on their own, try to figure out how to come up with that money and they don't do it if it changes midstream. They are going to need at least 18 months of advance notice if that DDA price changes, and if they don't, you're going to have chaos in the marketplace where fuel dealers aren't going to be able to obtain credit in order to deliver the fuel because their prices have changed, they have no control over, and that would be the DDA price and they have no hedging way they can hedge that DDA price because they were told it's 10 cents a gallon and then they realize 10 cents a gallon isn't going to get the job done we're going to have to make it 20 cents a gallon. They are not going to be able to hedge that and we're talking about an essential commodity that people need to stay warm in the winter. This isn't a luxury. So you set the DDA price. It stays until there's advance notice you're changing the price. It's got to be at least 18 months.

MR. KNAUER: Commissioner Allen.

COMMISSIONER ALLEN: I just wanted to probe that a little bit more with Matt because in my mind it's really a rolling 18 months. I mean time goes by and the market conditions are constantly changing. Are you suggesting that we should be setting and then resetting a price on for an 18 month period or that it should be rolling? Is 18 months really the number that you are advocating now or is that something that could change with, you know, essentially further reflection. As you point out there are different dealers that are essentially, you know, purchasing fuels and making commitments under a different time frame. Not all of them are necessarily committing to an 18 month purchase of fuel.

MR. COTA: It was my understanding that it was three years. That the DDA would present an action plan for delivering credits for three years, and that I am under the assumption is where the PUC then would set the DDA comes forward with a plan and says I can deliver these services at reduced greenhouse gas -- reduce this amount of greenhouse gas emissions and we need x in order to -- amount of dollars in order to perform these services. Well then it's a simple translation to figure out how many credits would be needed by the obligated parties in order to supply the funds in order to do that. So -- and that's how we're going to set our prices for the next three years. Every fuel company is going to say what's the DDA price, what's the ceiling, what's the most amount of money I'll pay per gallon based on the DDA plan that was approved by the PUC, and then they will say can we have an opportunity in the competitive marketplace to deliver services below that price, and if they can't, then they will pay it, but they will know what it is and that's the most important thing here. Most important thing going into the winter is that the prior year the DDA price has been set and they know full well what that new cost is. Similar to taxes. We have a tax that goes up. It doesn't go up the day it's passed. There's a lag time. Now for a fuel tax it's a penny, it's two pennies, but if the DDA comes in and says you know what we undersold it, we're going to need a whole lot more than the equivalent of ten cents a gallon, we're going to need 30 cents a gallon, that fundamentally changes the market -- it doesn't change the market, but in a market in which you have leakage it will have leakage. It makes it very problematic for companies to avoid the enforcement that the PUC is going to cover before that gap is spread. When it's two cents a gallon, even ten cents a gallon you can understand it, but you change the price in the middle of contracts and prebuys that we are obligated under the law to deliver at the set price, if our costs change, price of diesel goes up, cost of labor goes up, we have to honor that price so should the PUC with the DDA price.

COMMISSIONER ALLEN: Thanks, Matt.

MR. KNAUER: Commissioner Cheney followed by Dave Westman.

COMMISSIONER CHENEY: Follow up for Matt. Under that scenario I'm trying to imagine on a practical basis it's a three-year window. Then would you imagine that the price for the next three years would need to be set during the middle of that current three years not at the end in this initial initiation of a second cycle?

MR. COTA: That's exactly right. So -- so we would need to know 18 months ahead what the price will be after 18 so we can start planning and purchasing, but the other part of that equation is we also understand this. The early credits are going to be the cheapest credits. As our gallons go down and all of the early adopters go away it's going to get -- we understand that in order to achieve the mandates of the Global Warming Solutions Act I would imagine the PUC will be in a position three years from now if this becomes law where that -- that credit or that DDA price, that ceiling, the highest cost we'll pay for a credit because we'll try to do all these things underneath that ceiling, that ceiling will go up as we go along necessitating the need, as you said, for that advance notice at 18 months. Say okay once we hit 2027 through 2030 the DDA price will be this. We need to know that in late 2025 or early 2026.

MR. KNAUER: Dave Westman.

MR. WESTMAN: Thanks, Tom. I guess the point that Matt is making is sort of well taken. Nonetheless for a DDA to have a substantial portion of its anticipated costs being spread out over an estimated number of projects the requirement is to develop a plan based on potential study, and presumably that potential study would necessitate a level of market uplift and various activities, but generally you would have a finite number of projects that the DDA anticipates completing and it would balance its costs out over all of those -- all of those call it credit forming projects.

If that number of credit forming projects gets cut in half after parties have opted out of the DDA opportunity, then that puts the DDA in a potentially impossible situation of trying to deliver half the amount of credits at the same -- at the same cost, you know, and there are -- there are administrative fees there. There is, you know, market uplift that would need to be paid for. I know those are the subject of other areas of these investigations, but from our point of view it doesn't -- it doesn't seem workable to honor the initial price that's developed, you know, in the price setting context. The DDA would need that opportunity to readjust its pricing based on how many parties opted out. You know I don't disagree that that creates problems in multiple respects. You know including the potential for downward spiral of well you know okay if that's the new price then how do I -- you know would a fuel dealer want to opt out of that price. I don't -- yeah I don't have any easy answer to that, but it doesn't seem viable that if the DDA puts a price forward that it's then held to that standard even if it's only generating half as many projects.

MR. KNAUER: Thank you. TJ Poor.

MR. POOR: In the interest of work shopping here in this workshop, so not necessarily a position, but I want to suggest two kind of paths that probably neither of them are perfect, but if everybody hates them, then maybe they are right where one we could set a price for the DDA but not actually have them do implementation for a year, and somebody can immediately tell me if that's not consistent with the law, but that would give the fuel dealers obligated entities that time that Matt is talking about to say well here's the backstop price. If I don't do anything, then I will be paying that or I can take action, and so then we can get a better sense of what obligated entities would take action at that price. If those don't take action, it's not like their overall obligation goes away. They just have to make it up in the next year or in the next two years, and so that, you know, that also would help give a little more certainty to a DDA on who might sign up and who steps up and say to really develop like their, you know, next iteration okay well we have this many -- this many credits that the DDA needs to cover and it may be just that we do it by measure, you know, and say it's -- we're going to set this price based on the cost of low income weatherization and that's really the backstop measure, and it also would allow people to just know what that cost is in particular since they have an obligation to hit low income. So then, you know, after a year one there's actually the money is available. If people have signed up, they know what their obligation is and at the end of the year they can write that check or if it's quarterly or whatever they can send that money in so that the DDA actually isn't starting with zero dollars. It doesn't have to finance everything and so there's having like some sort of lag gives information in the process.

I'm going to go right ahead before I get cut off and go to option two which actually could be part -- you could do this in part of option one, but as the DDA presents that fixed cost at least in the first year but also in signing up or making a bid says if we have this many obligated entities signing up our price is this and if we have to reach -- you know hit the next level, the cost -- actually I'm not sure if it goes up or down honestly. You know economies of scale maybe, you know, if those fixed costs are the same and variable costs are lower the per credit cost goes down. On the other hand, it could be harder to get those savings and the cost could go up, but they set a scale. DDA says first, I don't know, first million metric tons is, you know, 10 cents a gallon and then the next is, you know, 12 cents a gallon, et cetera. So you could tier things like that to give a little more to present some certainty, but also have some flexibility. Brainstorm. Just want to clarify again those are kind of brainstorm ideas here.

MR. KNAUER: I think it's very much in

the spirit of a workshop. Thank you, TJ. Dave Westman.

MR. WESTMAN: Yeah I'll just jump in on that very particular point which is VEIC is thinking about this context of the more credit that a DDA is responsible for the greater the potential for economies of scale and therefore the lower the credit price. So while certainly the DDA overall cost might go down if you're doing fewer number of projects, the cost per credit would in fact be higher, you know, for an obligated party, and so from that perspective we generally are thinking about this from the principle that a higher obligation would result in a lower credit price.

MR. KNAUER: Greg Morse.

MR. MORSE: Thanks. Greg Morse VGS. I think we really like TJ's second option. That seems like something that the Commission could probably effectuate. The idea that you could have separate bid prices or traunches of credits at various prices on the DDA provision side but average those prices for the price that an obligated party is exposed to seems something we can effectuate. Other markets work that way. I'm not certain I agree with the economics on Dave's suggestion that the credits get cheaper the more you buy and I think Matt mentioned this earlier. You know the lowest price credits seems to me like those would be done first and the higher priced credits would be added on later. So while you may divide your higher cost over higher volume the credits that are generated later are the more expensive ones. So I thought we would just offer that, that VGS believes that there is a way for DDAs to bid in and get some price certainty around certain volumes and also offer sort of price smoothing mechanism to the obligated parties. Thank you.

MR. KNAUER: Dominic.

MR. GATTI: Yes thank you. Dominic Gatti with the Commission. Trying to tie together a couple of trains of conversation that I thought have been very interesting looking at the option for multiple DDAs, and VGS in their comments suggested DDAs specialized basically on the type of clean heat matter they would be able to provide. The idea of a uniform DDA price and this idea that different measures might cost DDAs different things, if we have multiple DDAs, would there be a situation in which one of them says for the year 2027 we believe we are able to provide this many credits on to the market.

Anything more than that would be outside of what our, you know, what is feasible for our organization right now. In the aggregate I believe the DDAs as a whole or as a group must be able to provide a hundred percent of the credits theoretically, and then obviously whatever is able to be provided at a market price under that would come out of the DDA's responsibility, but is the answer having tiered pricing for amount? Can there be a limit for how many credits a single DDA would be expected to provide and how would that process, you know, go year after year to try to find where the most cost efficient balance is.

MR. KNAUER: Greg Morse.

MR. MORSE: Yeah I think I can certainly respond to VGS's comments just a little right now, but I think broadly we believe that the more parties that participate and the fewer restrictions that there are, whether that's price caps or restrictions on the number or type of credits that someone is allowed to participate or bid in or geographic restrictions, the fewer of those there are the more likely we are to get the most participants, and the point of the law is to reach the highest GHG reductions at the lowest cost.

So as a baseline we think anyone who wants to bid into the DDA should be allowed to make a proposal for whatever it is they are willing to supply under that construct. I think we have always envisioned there would probably be a couple of classifications for different credit types certainly based on income and maybe it makes sense to have DDAs be allowed to bid those different credit classifications separately, special assessment, because some DDAs may be better suited to provide services to certain income categories than others.

So yes we think different prices should exist and yes we think everyone and everything should be allowed in at least to make a proposal that the Commission can evaluate.

MR. KNAUER: I am going to suggest that we take a 10-minute break and when we reconvene if anyone would like to continue on this theme, we will. Otherwise, we'll move on to other filers' comments. So we are on break for ten minutes. Back at 2:56.

(Recess.)

MR. KNAUER: All right. Great. We are going to get back to work after our break. I'm ready to move along, but does anyone else want to continue with the discussion that we had just before our break? No.

Now I'm going to turn to the comments that were filed by VEIC, and if I understand one of your positions, it's that the Commission should consider whether a portion of the low and moderate income credits actually be required to come from weatherization projects administered by statewide DDA. Dave, did I introduce the concept correct and would you care to expand a little bit on that?

MR. WESTMAN: Yup. Thanks, Tom. I believe you've captured that sentiment. This originally came about from testimony that I provided in the Legislature where the request was to think about the clean heat standard in the context of what would it take to enable more weatherization projects to be completed. We're perpetually under long term duress for funding of weatherization and it's a need that isn't going anywhere any time soon, and so there's -- there was a great desire on behalf of the Legislature to explore various mechanisms that would enable weatherization to be a significant factor in meeting the credits and what credits get retired. So from that perspective, you know, we understand that the DDA can serve multiple functions and do more than weatherization services and perhaps, you know, that appointment should be brought up to encompass more than any one measure, multiple measures I think is what the legislation considers, but from our perspective based on all of the conversations that we just had and this constant need to understand what is the price -- what is the price of a credit, what is the price of the DDA, weatherization is an incredibly expensive clean heat measure and we provide in our comments a little bit of a flavor of that. You know taken on its own a weatherization project doesn't exactly create massive amounts of GHG reductions, but it's a really critical step for long term savings and everything from the, you know, reduced -- reduced fuel use or reduced electric use at the home to right sizing of equipment and the like. So -- so we consider it to be a pretty important measure and that, you know, the legislation does contemplate that roughly 16 percent of the low and moderate income credits need to be developed through permanent installations, and so we think that that already sort of creates different colors of credits, if you will, and so the Commission I think should consider whether it has the opportunity to, and if it -- if it determines that it does, we would strongly recommend that the Commission consider strict requirement that those -- a portion of those 16 percent credits be directed at or derived from weatherization projects.

MR. KNAUER: So I want to make sure I understand the concept. Are you saying that this is a requirement on the DDA or this is a requirement for all obligated parties? Like all obligated parties would be required to participate in a DDA's weatherization program? Do you see --

MR. WESTMAN: Yeah I do and I think we actually leave that opportunity open by suggesting, you know, if there is a direct installer who can do, you know, come in and do the weatherization project and create a credit at a price lower than a DDA price, then you know I think that -- I think that's in keeping with sort of the spirit or our understanding of how the law and the market is supposed to work. So yeah I would think that the DDA should focus substantially on weatherization projects, but I wouldn't discount the fact that a direct installed weatherization provider may forego, you know, incentives from either Efficiency Vermont or in the DDA and go about a process of claiming whole credit creation for a direct install weatherization project and then, you know, sell those credits to an obligated party.

MR. KNAUER: TJ, please go ahead.

MR. POOR: Yeah just in the second of those scenarios, if that were to be an option I feel like the requirements of the person -- the entity providing the weatherization, if it's a competitive market based solution, would have to be broad I guess is what I'll say. You know we don't want poor quality. We don't want -- we want to address kind of the health and safety and the other aspects, right. So if -- if -- if you're saying it's through, you know, the option one that I heard Dave articulate or he said it's open to two options, but the first option of it requires that you purchase weatherization through a DDA, right, we can make sure that that is -- those projects are done to the right specifications, and then option two, right, if it's done through kind of a market based solution like the -- maybe that's a TAG issue, but that the credit given has to be relied on to equal kind of all of the requirements of the first option or our weatherization programs.

It's kind of circling back to our first discussion here and wanting to assure the quality the low income customers are getting the services as part of a robust weatherization program, and so I do have that kind of concern that I'm restating that if we just leave it open to the market, it's going to be ripe for bad quality like just trying to knock off the cheapest measure in the weatherization in a home, right, and you fixed -- I don't know you glue some cellulose into the attic, but, you know, they have got a whole open door, I don't know, that's not closed off and so with weatherization in particular I'm just communicating that sensitivity to the -- those issues.

MR. KNAUER: Anyone else have questions or thoughts on this topic?

MS. LEBAN: I have a question. If the weatherization credits -- I guess if weatherization credits are used to fulfill some obligation on a moderate income property but the credit alone isn't enough to complete the work, is there also a cash payment expected from the customer? I -- just how does -- you know because the whole idea of incentives I'm confusing all of this because, you know, the -- you can pay an incentive towards something, the cost of a full weatherization could be $30,000 for a house, but maybe the incentive is $10,000. Is the credit covering the $10,000 and the customer has to cover the other $20,000? I mean like you said weatherization it's really expensive to do it properly, and I'm seeing too many instances which AIA is very concerned, siding contractors putting up three-quarter inch foam or oil based foam and then siding over it and calling that weatherization.

So, you know, what TJ said about low quality work and potential hazards to homes that's real, but to do it right is so expensive. It's, you know, unless either 100 percent or at least 75 percent of the cost is covered I don't see a whole lot of people tackling a large scale weatherization on a lot of houses.

MR. WESTMAN: I'll respond. We share a lot of these concerns that Donna and TJ just expressed about quality control. That's why Efficiency Vermont, you know, as part of its regulated services uses the thermal energy and process fuel budget which is effectively a ratepayer benefit program. We spend a lot of time and effort investing in the efficiency excellence network and training contractors who do this work how to do it correctly, and so I completely agree that the quality control is important and, you know, the efficiency utility makes that investment to ensure it.

You know I have to say that I think the

likelihood of a direct install weatherization project coming in at a price that is competitive to the DDA might be a hard threshold, but I have to at least contemplate that in a market based solution as the Legislature identifies. You know this actually relates to one of our other comments which is that you know if we want quality control on a project like that, we would -- we would want to have that contractor, direct installer, still be up to speed on all of the training. That direct installer may forego, you know, receiving an incentive and so therefore take claim to the full credit that they were still the beneficiaries of market uplift and work force development activities, and you know generally speaking we would say that if the DDA is asked to do more of that type of work it should be funded in some capacity. Whether that -- whether that's allocated through the credit cost which is what we've suggested in other -- in the rule program or if it gets allocated through some other means, you know something that is not allocated based on credits so be it as long as it's happening because that market development is going to be really important. Otherwise, you do get poor quality control, and then on Donna's point about the weatherization projects being expensive, you know, that's a hundred percent correct. You know the actual air sealing, insulation and, you know, things we would typically consider to be the weatherization measures might only take up $10,000, but it might be a $30,000 project because you've got really old knob and tube wiring or you've got asbestos in the walls or floor or ceiling, and all of those things would need to be remediated and essentially fixed before you can actually complete the weatherization project. Thus becomes a very expensive prospect, and so as a point of reference Efficiency Vermont right now has a grant to do weatherization services. We'll be moving forward with a contract in 2024 to do these weatherization services and it will include a major component of that to have a specific pot available for what we're calling home repairs because we do see that as being a significant enough barrier to proceed with weatherization that it requires that, and so -- and that is again one of those -- one of those points that if you have a DDA whose also able to blend these other and external sources of funding, you know, like this contract is going to be paying for home repairs out of available ARPA money that's going to be a grant or that was money granted to the Department by enactment by the Legislature for this purpose of promoting weatherization and now VEIC will have a contract to implement that. So to the extent that we can build off of our existing programs that are a success, you know, the more successful they will be. Sorry for the sort of breadth of that single comment.

MS. LEBAN: That's good. That's good. Would VEIC support certification and eventually licensing of weatherization contractors because there's -- you know there really is a lot of substandard work happening and we haven't -- you know the clean heat standard doesn't talk much about new construction, but, you know, the whole -- the RB code is being held up because we're concerned that unskilled and untrained contractors are going to be creating moisture problems and mold in houses if they follow the letter of the 2023 RB's standard without understanding moisture; moisture migration issues in walls, thermal walls.

MR. WESTMAN: Go ahead.

MS. LEBAN: It's just a question of certification because we really think that certification is going to be required just to be able to meet RB's.

MR. WESTMAN: Yeah and I don't want to

detract from this workshop too deeply on the very important and minute details that are important for weatherization, but we are aware of all of those things. We don't have a position right now on certification and licensing of these right now. The -- you know getting weatherization folks trained and into the work force is really our focus and, you know, there are specific training programs that we collaborate with. Everyone from the Vermont Fuel Dealers to Resource to Neighbor Works, weatherization agencies, we see the critical need right now is work force development and training and that's where our priority right now lies.

MR. KNAUER: So I'm going to -- I did have several other questions based on VEIC's filing, but now that I review them they are really more about compensation for a DDA and that in my opinion is the topic of a future workshop. So I'm going to reserve those for later. So having said that those are all of my questions on the VEIC filing. Does anyone else have questions that they would like to ask VEIC based on its written comments?

Seeing nothing. All right and just a reminder to folks that we will have an opportunity for reply comments. So if something doesn't come to mind at the moment but there is something in someone's written comments they would like to respond to, you have that opportunity for sure. Next up couple of questions based on Thomas Weiss's written filings. Some really good questions that he kind of brings up for us.

Mr. Weiss asks what happens if a default delivery agent, DDA, falls short and fails to essentially produce the number of clean heat credits that are essentially its obligation? How does that affect the obligated parties? I think it's a really important question for us to answer at some point in this proceeding. If folks have an answer to that or thoughts on that now, it would be great to hear them. Otherwise I really look forward to people addressing that in their reply comments.

MR. POOR: I have a couple thoughts off the top of my head but again subject to further refinement here is, one, you know the Commission is going to be required to continually set the pace for obligated entities to meet the 2030 requirement, right, and so if the DDA doesn't make it, those obligations are going to have to be rolled into future obligations on fuel providers I think.

Now what does that mean for the DDA

whether it's a contractor, an appointment. I think that that gets into a compensation question and what are the penalties under that contract. If it's more of a performance based regulation type of thing, then, you know, maybe they are not -- they are not compensated. They are only compensated for what they actually get because, you know, if -- if -- if obligated entities sign up and say I'm going to have the DDA meet my obligation, they shouldn't be -- they shouldn't be penalized, but that's just -- they shouldn't be penalized if the DDA doesn't do its job that it signs up for. So initial thoughts, but just throw them out there.

MR. KNAUER: Thank you for those initial thoughts. Dave and then Greg.

MR. WESTMAN: Tom, thanks for clarifying there will be an opportunity for reply comments. That was certainly -- that was certainly on top of our list to get an answer to today. So we'll look forward to addressing this in reply comments, but, you know, similar to TJ our initial reaction to reading -- and VGS I think made similar or alluded to a suggestion that, you know, essentially if a DDA accepts the requirement to deliver these credits, then they are in effect becoming an obligated party and therefore subject to the legislation. I'm paraphrasing there. Not using exact quotes. You know that certainly -- certainly raises some concerns given that the penalties for non-compliance by an obligated party are greater than 1X of the cost of the credit. You know there's actually a compounding effect there. I'm not totally familiar, but you know we can address that in reply comments on the size of it, but it certainly raises some concerns that especially combined with some of these other issues of the DDA where you've got an uncertain budget based on who signs up, you've got an uncertain mechanism for paying for market uplift, you know you're putting a lot of -- you're putting a lot of faith in the DDA to wave a magic wand and make all of these things happen, and while I fundamentally agree that if an obligated party says they are going to pay for the DDA services, that they should in effect sort of be relieved of that responsibility or at least assume those credits will be generated. I think it's also putting a tremendous risk on the responsibilities of the DDA to sort of do all of those things with a very uncertain budget, with a very uncertain mechanism for paying for market uplift, and the like.

So we would see -- we would see

penalties associated with non-performance especially on an annualized basis to be extremely problematic. You know if we use the EEU as the model upon which the DDA was initially suggested, you know, for the Legislature, an EEU has three years to meet its obligations. Yes it has minimum performance requirements around things like equity and geoequity and, you know, commercial versus residential spending and the like and if you don't meet those targets, there is a penalty structure, you know, built into it so that all comes off of whatever performance payments you get, and so immediately I -- when TJ suggested that this sounds and feels more like a compensation question, probably true, but -- and as a general matter backing out to what we're talking about in the first part of this there's so much risk for what the DDA is being asked for to assign a penalty structure for not meeting those credits seems really problematic.

MR. KNAUER: Thanks, Dave. Greg Morse.

MR. MORSE: Thanks. Greg Morse, Vermont Gas. I think our position is that the point of the law is to reduce GHG's in fact which is actually the reason the DDA was proposed so that obligated parties who are unable to perform or choose not to perform have an outlet for those emissions to actually be reduced. Otherwise, what's the point of the DDA in the first place. You could have a standard just like RES (phonetic) where the ACP is the only penalty or the only stick and you fund some other mechanism or some other pool of money. The DDA's purpose is to achieve the greenhouse gas reductions and obligated parties are already detrimented when emissions are not reduced because our obligations are set based on our emissions. So if the net emissions are not going down because the DDA didn't reduce the emissions that they should have, our obligation for a following year would in fact be higher; and one final point if the DDA is in fact exposed to the ACP payment, that 3X actually nets 2X to them because they have been paid 1X for the credit in the first place, and the penalty, when the obligated party pays the penalty, the net payment is 3X. I think it's very important for this market to function correctly as the law intended which requires that the DDA be obligated to provide GHG reductions on behalf of obligated parties.

MR. KNAUER: Matt Cota.

MR. COTA: For the record I agree with everything Greg Morse just said.

MR. KNAUER: So I'm going to pivot because this is very much on topic with Vermont Gas's written filings. Vermont Gas has the general concept that any obligations that a default delivery agent is unable to fulfill should be subject to the same rules and penalties that would be applied to all obligated parties. So I just want to double-check with Vermont Gas. The statute allows that the Commission can also waive non-compliance for obligated parties when, one, the Commission finds that the obligated party made a good faith effort but fell short due to market factors beyond its control; and, two, the number of deficient credits could be rolled forward to one or more subsequent years. So I just wanted to check with Vermont Gas. Are you suggesting that that also -- that safety valve would also apply to a DDA?

MR. MORSE: Yes. We would advocate that the DDA be treated the same way as an obligated party is once they have accepted an obligation and that includes the ability to ask for waiver and delay the credits -- performance of the credits to a following year.

MR. KNAUER: Thank you. Any other - any comments, questions on this topic of are DDAs subject to the same performance obligations as an obligated party what happens if and when they fell short? Again if you're not in a position to respond now, there will be opportunity in written comments. Dominic, I see you're unmuted.

MR. GATTI: Yes. In a -- in a construct where a DDA is subject to the same penalties, specifically an alternative compliance payment, the recipient of that alternative compliance payment is also a DDA. In a situation where there are multiple appointed DDAs who would the DDA playing the ACP pay it to?

MR. KNAUER: Go ahead, Greg.

MR. MORSE: So we alluded to this in our comments that when a DDA is paying an ACP that that payment should be made to a different DDA or allocated I suppose by the Commission, but the most important fact I think is that the DDA that is making the payment is not also receiving that payment since they weren't able to comply in the first place. So in the case of multiple DDAs then another DDA. If there is only one DDA, then I suppose the Commission would have to evaluate the best use of that money in order to achieve the goals of law and assure that money reaches the low income sector.

MR. GATTI: I appreciate that response.

I think the question that is posed there drives to a second question that I had reading your filing which my understanding is that VGS's position is that the disbursement of compliance funds the law intends them to go to specific activities, but we have alternative compliance funds available to a DDA presumably from an obligated party. Is it correct to say VGS believes that they -- those should -- the use of those funds should not then create additional credits and I'm curious as to the thought process behind that.

MR. MORSE: Sure. So the provision under the law is that the payment of the ACP itself satisfies the obligation. So if you are satisfying an obligation, then using that money to also generate a credit later on risks double counting. So the law also does not specify any particular number of GHG reductions that are going to be achieved through the use of ACP payments. The law says something to the effect of whatever you can possibly achieve with this funding you will go ahead and do. So because the -- because an obligation has already been satisfied through the payment, through the initial payment, and because there is no specific required GHG reduction from the deployment of that money from the DDA we think there should not also be a credit generated.

MR. KNAUER: Dave Westman.

MR. WESTMAN: I would -- I would appreciate some understanding by the parties who either suggest or believe that a DDA should take on the responsibilities of an obligated party on the basis of the definition of obligated party which are very specific for provision of fossil fuels to homes. Under that understanding how is -- how can an obligated party be sort of compelled into the same mechanism for non-compliance if the DDA does not meet these definitions of the obligated party?

MR. KNAUER: Greg, please go ahead.

MR. MORSE: I think that the origination of the obligation is as you suggest in the sale of fossil fuels in the State of Vermont. That does not mean that -- that the obligation to deliver credits or to retire credits must stay with the entity that was obligated. Certainly we conceive of a market where an obligated party could agree with another party, not the DDA, to satisfy that obligation, procure credits on their behalf, and that contract might include various mechanisms that transfer exposure to a different commercial party and that's what's happening when an obligation is transferred to the DDA. You are transferring the commercial exposure and there's a lot of price risk. I get that the DDA might not be able to know exactly what it costs, but that's part of the act of the DDA is proposing your budget and figuring out what you should charge, and the DDAs I would argue should price in their risk the same way obligated parties will have to price in our risk when we settle fuel.

MR. KNAUER: Thanks, Greg. Matt Cota.

MR. COTA: With few exceptions I think we're all in agreement of all parties and all persuasions that we want to -- if we're going to do this transition, we want to do it the least cost. So if we determine that as obligated parties we cannot deliver greenhouse gas reduction or clean heat credits at least cost, in fact the DDA price set by the PUC is the least cost because in order for us to do other things, other measures, we'll be paying above that. We don't want to do that because we're for profit companies and if the DDA doesn't deliver, say they fail, say they abscond with the money, we still have the mandate in the Global Warming Solutions Act and the amount of money the obligated parties will have to pay to cover for the DDA failing will have a great impact on consumers that still need an essential commodity to stay warm. The DDA should absolutely be penalized if through fraud or other means fail to meet their obligations when they gain the contract to provide these services.

MR. POOR: I'll circle back to that conversation. I do think that it is -- they should be penalized. I also think that the obligation then still falls on the providers whether it's right or wrong. I think that's how the clean heat standard is set up. So if the DDA absconded with the money there's a legal action to go after the money, maybe get it or not or whatever, but then fuel providers like the PUC is still required to set obligations so that the GWSA requirements are met, and so in that extreme scenario I think then fuel providers are on the hook and it's got to be priced into and it's part of the impact of the clean heat standard and I don't like that. It's like one -- there's all kinds of reasons that the -- it adds risk and cost to the clean heat standard, but it seems like just a reality. I don't know if we can get around that, Matt. If we can get around it, that would be great, but I don't know another way.

MR. KNAUER: I don't have the answer here. I want to observe Section 88125(A) provides that the Commission may specify that appointment of a default delivery agent to deliver clean heat services on behalf of obligated parties who pay the per credit fee to the default delivery credit satisfies those entities' obligations under this chapter. So I don't know if that is counter to what you were just saying, TJ.

MR. POOR: Maybe in that year, but what happens in the next year or the year after, right, because then isn't there other provisions that require you to set the targets in order to meet the goals or meet the requirements -- sorry -- set obligations for each provider to meet the overall GWSA requirements.

MR. KNAUER: We do have to set a schedule and I think we update it every three years approximately, but don't quote me on that. That's my recollection off the top of my head. I want to go to Tony then Dave and then Matt.

CHAIRMAN ROISMAN: Okay. Well just on the narrow question about the DDA default if you will, first of all, independent of the clean heat standard statute that's a contract between the obligated party and the DDA. It's dealt with just in the normal way in which people deal with contracts.

So if you hired a DDA to do x and they don't do x, you sue them for it.

Secondly, if the DDA goes belly up we have already in place a provision that deals with this question for the decommissioning of energy projects. We require that the company that is given permission to build a project has to create and we release a letter of credit or its functional equivalent to cover the estimated cost of the decommissioning of the facility. So the same thing could be applied to the DDAs. They could be required to have a letter of credit to support their obligations if for whatever reason they are required to do it.

So what I'm saying is I don't think that this issue is an impediment to the implementation of the program. There are plenty of impediments to its implementation. I just don't think this is one of them and I definitely don't think that an obligated party who pays what the price is should in anyway be on the hook if for some reason someone whom they contracted failed to fulfill their contract obligation.

MR. WESTMAN: And I would totally agree with that for the record. The legislation does seem very clear. The statutory obligation is essentially fulfilled by going through the DDA which, you know, to this point of are they subject to the 3X penalty or some other form of responsibility I think can and should be addressed in the -- in the budget of the DDA, and I agree it shouldn't be addressed as part of the contracts so that a DDA would know exactly what they are signing up for when they sign up for it so that, you know, they could use that risk to develop a price for the service. Obviously the price being uncertain on the basis of who ultimately signs up for it.

I do think that it's a -- it's worth calling out that the multi-year responsibility is absolutely critical for this to be a service. You know especially if we talk about programs and services rather than say fuel deliveries because programs and services are highly impacted by exigent forces like pandemics and economic conditions and it's impossible to predict exactly how many projects, whether it's weatherization or heat pumps or you know electric vehicles, are going to actually be delivered in Vermont with any precision. So I would just suggest it really speaks to the need for a multi-year obligation period regardless of the fact that annually the requirement is to have greenhouse gas reductions pursuant to the schedule that the Commission ultimately comes to in the rule.

MR. KNAUER: Okay. Matt Cota.

MR. COTA: I would agree with the multi-year statement that Dave Westman just said, but I would also highlight this. I don't want to relitigate the legislation. One of the things we asked for and did not receive in the legislation was the ask that it be a not profit entity like Efficiency Vermont or weatherization utility, that it not be a for profit entity, but the Legislature in their wisdom said no no no it can be a for profit entity. I think it's incumbent upon the PUC to ensure if you do award a DDA to a for profit out-of-state entity, they require some sort of surety bond or some other financial mechanism because they are not building a power plant which can be decommissioned. They are providing a service and promising greenhouse gas reductions on the receipt of money from obligated parties. You're required to provide a surety bond if you want to sell a car in Vermont as a car dealership.

I would suggest that in any contract that the PUC strikes with the DDA that they require some sort of bonding mechanism so that if they fail to provide the greenhouse gas reductions as promised when they took that contract and accepted our money that they in fact can back it up with credit.

MR. KNAUER: Folks I have one more item that I want to raise. I don't think it is a topic to discuss today because I think it falls under one of the topics that we as a collective group will need to address in the future, but I just want to raise this as a very important point that was raised by Vermont Gas, and this is the presumption that measures delivered by default delivery agents with compliance funds will not generate credits because the original payment of the compliance fund satisfies a compliance obligation. I think it's a really important point. I'm sure it will be the subject of some robust discussion in the future so I'm just kind of putting a pin in that right now.

I am anxious about two things. One I want to make sure that we honor our 4 o'clock stop time today and, two, I do want to make sure that we have a full discussion of the schedule, but before I go there I just want to open up the floor to my colleagues at the PUC or to anyone else. Are there other matters that you would like to discuss that stem directly from the written filings that were received on this topic or from today's discussion? I'm going to pause and leave the floor up for that.

COMMISSIONER CHENEY: I can say affirmatively none from me. Thank you.

MR. KNAUER: Thank you. So long pause concluded let's -- I'm going to now pivot to part two of our workshop which is discussion of the schedule. So as folks recall on December 8th the Commission issued an order adopting a schedule for this proceeding and 10 days later on December 18th the Commission granted an extension of the very first filing deadline in track one of that schedule as well as the subsequent workshop, and so I'm hoping that -- I've been sort of expecting that participants here are prepared to discuss what do we do now. We have a very aggressive schedule and we have a fast approaching June 1st deadline. So the question is open. Do participants have suggestions of how to address the remainder of this schedule and I can prompt some response with a followup question.

Should the Commission simply take the schedule that was established on December 8th and extend all dates by the number of days that the first extension granted? That's one solution to how we address this schedule. In other words, we had a filing date that was sometime in December. We extended that to sometime in January. Do we take the number of intervening days and more or less add that to all other dates in the schedule? Is that an appropriate way to proceed? Dave Westman.

MR. WESTMAN: Tom, thanks for the question and thanks for giving us the extension so that we could think through our comments in a more robust fashion. I think what you're suggesting is a reasonable approach. I would really caution against the suggestion of having overlapping comments. You know I think that the -- you know in order to really move on productively in the DDA discussions we need to get interim orders from the Commission so that we're not, you know, debating or relitigating the same issues in the context of the next comments too. So you know I really -- I really don't -- I really don't see how overlapping orders and comment periods could really work in this situation so I'm going to be supportive of that extension of all dates on the term of what was provided us.

MR. KNAUER: Please weigh in. Do you agree with what Dave just said? I think there's a consequence of doing that which is -- please go ahead, Jill.

MS. PFENNING: Thanks. Jill Pfenning from VGS. I think that that's fine with us too as long as -- maybe you were about to say that as long as it doesn't push us up too close to the deadlines which by which the Commission needs to act.

CHAIRMAN ROISMAN: Right. Yes. So I do think the consequence of moving all dates forward by whatever that delta was it gets us awful close to June 1st without having issued a RFP, received bids, vetted those bids, and issued a contractor order of appointment. So there is -- there is -- I think that's reality and certainly does not leave much room for any further extensions in the future on this schedule. Very quickly go right past June 1st, but I also understand Dave's position that you know each topic builds on a decision in the previous topic and it's hard to move forward without answers to those questions.

MR. GATTI: Just to provide some numbers in this discussion the current -- the delay that we granted was approximately 20 days. Looking at the existing track one schedule that was issued that would move the April 17th date as the RFP issuance back to about May 7th -- May 7th, May 10th.

MR. KNAUER: Thanks, Dominic. That's helpful to have some specifics to work around. TJ.

MR. POOR: Sorry I don't have the hand raised easily on the phone here. I'm sure it's there. Does that timeline -- did I hear you correctly that the deadline is June 1st to have a DDA in place or just to have solicited for a DDA?

MR. KNAUER: My understanding is appoint the DDA or multiple DDAs by June 1st of this year.

MR. POOR: Right. So is there -- has the Commission contemplated if -- you know May 7th is the RFP solicitation date. Has the Commission contemplated, you know, the fact that's not going to -- appointment is not going to happen by June 1st if you're just soliciting on May 7th.

I may be missing something here, but there's -- I feel like there's -- we need to face the reality of the timeline is not doable. I would argue it's not doable if you back up that May 7th date to April whatever it was either, but you know it seems like the Commission -- I don't know if you want to take comments on it or we talk about it here, but we need to -- what do you do if you can't comply with the law?

MR. KNAUER: Thank you, TJ. I believe

that the Commission did request comment on this several months ago and we did get several filings. I apologize that I don't recall -- I don't have perfect recall of those off the top of my head. There were -- I believe the joint responders suggested that we could meet that deadline and if I'm misattributing this I apologize, but I think the Department suggested that we get a -- seek an extension from the Legislature and --

MR. POOR: I'm sorry I am not fully up to speed on that one. I apologize.

MR. KNAUER: The good thing, TJ, is Ben gave a thumbs up. So I don't know if that was in response to me getting it right or something else. If I miss someone's comment, I apologize. It's not intentional. I didn't prepare for this question at this workshop.

MR. BOLASKI: We did suggest a legislative extension might be needed, but I think it was what we were saying that was kind of a last resort, but yup the thumbs up was in response to you getting it correct.

MR. KNAUER: Always appreciated.

MR. POOR: So I do have one more question then and I may not have heard you right, but

-- and again apologize getting up to speed, but is the joint responder -- sounded like you said they thought we could get it done by June 1st. Did the joint responders are those of you who are on the line here still think that's possible?

MR. KNAUER: Anyone from the joint responders care to address TJ's point?

MR. WESTMAN: Well having been part of that effort you know I think the joint responders' primary focus was in getting the structure and the order correct and proceeding with all due haste, but speaking for Efficiency Vermont -- sorry. Speaking for VEIC in this context the importance of getting this right and doing it in an articulate order probably supersedes any, you know -- we wouldn't have any objections to seeking an extension for that on the basis of we got to get this right, and you know we were not consulted on that June 1st date and, you know, so we can't -- I certainly can't and I'm not in a position to defend it.

MR. KNAUER: So unless folks have a different take and think that this is an unreasonable pace, I think what I'm hearing is it's acceptable for the Commission to amend the existing schedule by moving dates forward by 20 something days that

Dominic suggested a few minutes ago unless -- unless there's a change that would -- legislative change that would move that June 1st date. Is that a fair characterization of what folks on the call are telling me?

MR. WESTMAN: So in context, Tom, when would the reply comments be due from the date of this workshop and when would the Commission order on DDA responsibilities then be due?

MR. KNAUER: Yeah I didn't do that work ahead of time, Dave.

MR. WESTMAN: Okay yup.

MR. KNAUER: So, Dominic, did you say 20 days?

MR. GATTI: Yes. I believe 21 days to answer Dave's question following the spacing of the original order. Reply comments for this workshop would be due in 12 days. So the February 6th we would likely move that to a little later in the week just for pacing, but mid week of February 5th.

MR. KNAUER: And the order would be due right at the end of February.

MR. GATTI: Yeah.

MR. WESTMAN: Thank you. Personally I think, and just for managing this process for VEIC along with others at VEIC having the certainty of how the Commission rules on these matters would really be beneficial for moving forward with the rest of the schedule that was determined. So you know I would -- I would propose that the further tracks of this proceeding also be extended out those additional days you know. I can't recommend how the Commission goes to the Legislature though. That's beyond my -- that's beyond my oversight. That's not for me to make any suggestions, but I can speak as the schedule just described makes sense and I would like to keep it in the same phasing as was -- as has been the subject of other comments. Thank you.

MS. PFENNING: I just wanted to also add, this is Jill Pfenning from VGS, that you know that we think the schedule is reasonable. I think adding the additional days makes sense. I think there is a lot to do obviously before -- in the next bunch of months. That's true throughout this proceeding and the parallel proceeding, but I think we are, you know, under an obligation under existing statute to get there. So we're just going to have to do our best to get it done. We're obviously, you know, here to help move that process through. So thanks.

MR. KNAUER: Thank you.

MR. GATTI: If I could ask of Dave and Jill and anyone else who has an opinion on this, we're dealing with complicated matters. What amount of time do you and your organization need in a comment period before a workshop and after a workshop for reply comment period to bring your best knowledge into this process?

MR. WESTMAN: That is a great question, Dominic, and it has been the subject of many discussions in similar scheduling matters. You know I think the minimum is really between notice of comments and opportunity for comments you know minimum is three weeks. Four weeks is better and I know I may be sort of breaking with tradition here, but you know if we want to collaborate and create the opportunity for, you know, sharing those comments with stakeholders, you know, it takes, you know, six to eight weeks, you know. So that's -- that's, you know, even that pace feels pretty ambitious, you know, but it really does help create a solid foundation upon which, you know, comments can be -- can be, you know, raised. I realize that that's a -- from your perspective that feels like a leisurely pace, but I can assure you that from ours you know we've done that schedule and we've -- and we've managed those projects many times before and, you know, it's not -- it's not like you can share these with stakeholders and get feedback overnight, and so yeah I would say three to four weeks will be a representation of our best thinking on it and, you know, six to eight if you want to -- if you want us to sort of circulate it and put forward, you know, non-controversial issues.

MR. GATTI: And is that for the initial comment period or the full comment period including reply?

MR. WESTMAN: Initial.

MR. WEISS: This is Thomas Weiss.

MR. KNAUER: Please go ahead, Mr. Weiss.

MR. WEISS: Asking about the third proceeding that is part of this whole standard preparation. It's my understanding that the third proceeding is about the actual part between the RFP and the designation of the DDA.

MR. KNAUER: Correct.

MR. WEISS: And so if -- I guess my question is when is that going to be released so we know what's going to happen in the -- I think we're talking about three weeks between some time early in

May and June 1st or whatever June 1st gets extended to.

MR. KNAUER: Yeah it's a great point. We will have a separate proceeding and as we sit here today I can't tell you what the schedule for that will be, and I think the Commission has previously said that proceeding will use contested case procedures as required via Act 18. So that's kind of why we have said multiple times that we would break that out into a separate proceeding because -- because of that contested case proceeding requirement.

MR. WEISS: I see. Thank you.

MR. KNAUER: You're welcome and I am not able to be more specific, but it is absolutely something that we will need to communicate, you know, before -- before we hit that date for sure. Jill, go ahead.

MS. PFENNING: Thanks. Jill Pfenning for VGS. I think in general the way that the schedule has been running so far in terms of the amount of time that we have had for comments has been sufficient. I think in general one to two weeks, although it's a tight timeline, is reasonable and has given us sufficient time to be able to prepare comments on both an initial and reply basis. I think the only comment I would make about the schedule is that it's really helpful to have the reply comments scheduled for after the workshop is held and that has been the case so far, but we just noticed a couple of spots where in this current schedule the reply comments preceded the workshop which I think is a little bit more challenging, but in general I mean I think that the one to two week time frame is going to be what's required in order to meet the timeline that we've set out and in order for the Commission to meet the deadlines that are in the statute currently.

MR. KNAUER: Any other discussion on the schedule?

MR. POOR: I'll just throw in my two cents here. One week is too short for the Department. We can't actually do that, and I think there's some nuance like if it's a really brief one question process wise, then things can be shorter, but they -- it needs to be -- responding to Jill saying one to two I think two weeks is really the minimum, and then I guess I kind of agree with Dave that longer is better, but if we're, you know, really -- I guess I ask those questions about June 1st because we can pretend we're going to meet that deadline and set a pace to get to that, and until we do something different I think seems like we have to do that and there's not time to have more than two weeks, and so the comments, the quality of the comments, the quality of the design, the quality of the implementation of the clean heat standard is going to suffer as a result, and there's just -- it's not anybody's fault except for the schedule, and I mean I think you see that representative in some of the comments you have already gotten. Instead of like a firm position there's kind of articulated principles or just kind of little higher level than one might want to actually move the process along, and so I think that's what's going to happen and then the PUC is going to have to take, you know, make some decisions on less -- less than fully thought out fully baked ideas because this is a -- you know this takes a lot of time to do to build a program like this. The law doesn't allow the time and so that's going to be the result, and I think we all just -- I just want to say that out loud so that everybody is kind of understanding how this is likely to play out at least in my mind, and that's not anybody's fault. Everybody's putting their best efforts. I know we're allocating a ton of resources to try to do the best we can here, but the schedule is a significant barrier to everybody's best work.

MR. KNAUER: Thank you, TJ. I appreciate those thoughts. So I'm not seeing anyone else raise their hand. That's it for me. Anyone else at the Commission have anything they wish to say before we conclude the workshop? Seeing nothing I really appreciate everyone's -- everyone attending today. This is a great substantive discussion we had and I also appreciate the feedback that everyone gave on the schedule and how the Commission should proceed. We will get an amended schedule out and published as soon as we can. So that's all the business we have for today. We are adjourned. Thank you.

(Adjourned at 4:05 p.m.)

C E R T I F I C A T E

I, JoAnn Q. Carson, do hereby certify that I recorded by stenographic means the workshop re: Case Number 23-2221-INV via Go To Meeting on January 25, 2024, beginning at 1:15 p.m.

I further certify that the foregoing testimony was taken by me stenographically and thereafter reduced to typewriting, and the foregoing 99 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 Burlington, Vermont, this 29th day of January, 2024.

____

JoAnn Q. Carson

JoAnn Q. Carson

Court Reporter

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