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

Public Comments Regarding the Workshop held on Thursday, January 25, 2023, including discussions
The purpose of the workshop was to "discuss the possible number and geographic scope of DDAs as well as a DDA's obligations and responsibilities."

Responding to the transcript for the workshop:

Tom Knauer, policy director at the Commission opened the workshop (after introductions) saying, "the Department...suggested that the Commission should not assign default delivery agents to deliver services already offered through existing programs," as the opening to a discussion.

TJ Poor responded with this example: "(I)f 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 … 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." (p. 8, lines 3-14)

Mr. Poor gives a series of rationalizations about the development of the program by the PUC, Mr. Knauer asks questions "to rationalize … 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?"; which kicks off a discussion about the current low income weatherization program, the characterizations of which do not seem to be fact-based from my experience.

It is most unfortunate that the lead professional expert about these programs was not present to guide this part of the conversation. Whether or not there is a perception that low income "weatherization agencies … are at full capacity," or "have more money than they can spend right now"; or are competing with federally-funded market weatherization programs is irrelevant and beside the point: The stated goals of the PUC charge is that **"the Clean Heat Standard be designed and implemented in a manner that achieves Vermont's thermal sector greenhouse gas emissions reductions necessary to meet the requirements of [the Global Warming Solutions Act of 2020], minimizes costs to customers, protects public health, and recognizes that affordable heating is essential for Vermonters." (Act 18)**

My experience with low income weatherization programs goes back to 1989. While the program is excellent to the degree its sources of funding allow, the program has always had limitations. (While my very positive experiences with the process and the effectiveness of what had been accomplished by WX to cut the fuel use in my homes is not the point of this comment, I do want to acknowledge that my experience has been mostly very positive.)

For this committee to honestly serve low and moderate income households to cut their energy use, it is imperative that the group is operating with a complete set of information, and from the perspective of maximizing the potential for the most efficient and desired outcomes: to cut thermal heat carbon emissions at the lowest possible cost to the public.

The current low income weatherization program makes an excellent start, although it is not as "robust" as described in the workshop. Some of that has to do with the source of funding coming through the Agency of Human Services (but Geoff Wilcox, a member of the Equity Advisory Group and Weatherization Program Manager for the Office of Economic Opportunity for the State of Vermont, has more expertise overall than I do).

That program—for good reasons—does not replace windows or doors which are often the largest source of heat loss in living space. The program has constraints on multi-unit buildings. And for at least 10% of the homes throughout central Vermont (which may be consistent statewide), homes that were insulated with products containing vermiculite (appx. 1930s, into early 80s), are not eligible because of the ***risk—***NOT the fact—that asbestos ***may*** be present.

Continuing to reflect on the workshop discussions: TJ Poor asserted that, "we need to be careful about tasking our weatherization agencies with another administrative task," an assertion with which I agree.

MR. BOLASKI makes assertions about the "robust" nature of current CAP-WX programs, which miss some of the gaps and foibles with these programs (through no fault of their own), and then goes on to address "LMI credits,... a scenario where they could essentially sell those credits, … thinking about this construct (that)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." He continued with his assertions to limit, "competition with the long standing weatherization programs" because they're "doing a great job and it could further complicate that space."

CHAIRMAN ROISMAN "risk(s) wading into deep economic waters" because he is "a little puzzled by the Department's position." The Chairman agrees that WX programs are effective and "quite competent" and questions why "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...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**."

An excellent discussion follows about the nature of the proposed credit buying component of Act 18:

MR BOLASKI: "They have a certain pool of money they can do towards energy efficiency upgrades for heating systems, for example, … there's not too many … low income folks going out on their own and buying heat pumps you know. So **in order to ensure that... 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 … 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… (W)eatherization 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."

For sake of efficiency in making a public comments, I highlighted what feels most significant to me within the context of this workshop.

1- *Yes—the current Wx program provides free hot water heat pump technology to low income people who otherwise couldn't afford the technology. And, Yes, "obligated parties" couldn't sell expensive equipment to people who can't afford it. The WX program is working as it should be in this regard.*

2- I live in one of two apartments in an old farmhouse that 1- is ***ineligible*** *(as described above) for* ***the majority of essential WX****. This building design will not be conducive to forced air heat pump technology. Like many older houses, "the low hanging fruit" to cut thermal heat carbon emissions will not be solved by driving my small local fuel dealer out of business. I supplement the oil furnace (in this apartment) with a pellet stove. We could have an entire conversation on embedded carbon of the equipment, fans, plastic bags, transportation, etc, regarding wood pellets/ wood chips/ a central heating plant, etc. Rental properties are not allowed cordwood stoves (local fuel supply—no plastic, etc.) There are many small fuel dealers in Vermont—from whom I'm sure you've heard—who have* ***only*** *the capacity to attend to their business, which—like all other small businesses post-pandemic—have their various struggles without being "obligated" to meet* ***the state's obligations*** *to cut carbon emissions. It is most unfortunate that our state legislators failed to listen to their constituents, of whom I am only one, who called and opposed S.5 which became Act 18* **because** *it creates an unnecessarily complicated economic credit market (with DDAs) and puts the burden on fuel dealers as "Obligated Parties."*

Moving on, there is a lot more conversation about low income weatherization programs being so "comprehensive" that TJ Poor said, "we don't think it's viable to recreate the wheel"; and then suggested that more people because "it's really expensive and it's really hard and that's why it's fallen to government to manage it."

Yes, low income weatherization programs "fall" to government agencies and affordable housing non-profits. Pages 19 through 21 of the transcript so strongly promote WX projects as exclusive regarding DDA credits using descriptions of the program that go far beyond what I understand the actualities of WX programs are. Yes, they're excellent. No, they're not as comprehensive as described. Bring in experts, please who will tell you how their programs really work. And ask if they think they should have a monopoly on DDA energy credits. ***As a resident consumer, desiring unavailable Wx services, this doesn't sit well with me.***

It is important not to conflate energy upgrades for middle and upper income households with low income Wx programs. Thermal heat *carbon emissions do not distinguish by income.*

If the overall outcome is to minimize thermal heat emissions, DDAs (if this concept moves forward as currently legislated) must also include all weatherization efforts equally, and especially **residential contractors**, and a statewide program developed and funded to support middle income residents. Efficiency Vermont assists with certain limited features that could be expanded.

One reason that fewer residential contractors get into the weatherization field has to do with Efficiency Vermont's protocols and costs for certification. Do they offer free training programs, as one example, to generate more qualified tradespeople in relevant fields? And MANY residential contractors quietly go about energy upgrades with renovations and additions *when their clients can afford the extra cost.* (I worked in the building trades starting in 2000 until about 2018.) How is the PUC looking at DDAs in that regard?

Finally, MS. LEBAN suggests that, "since the OEO model works so well how do we think about applying that same model to moderate income"? *Good idea!* Leban continues: "they 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 good for people who have a lot of motivation or who are doing things that are really simple; but a lot of weatherization work is not that simple and fuel switching is for many people really major…. I think you got to keep this as simple as possible." ***I agree.***

On page 23, MS Leban expresses additional concerns that whatever program is developed does not keep "a fair amount of administrative costs in their pocket (while) 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 … the spending can be a little more direct on measures." Which is to say that she favors direct weatherization services and programs that actually cut carbon emissions, rather than a more complicated program that (as the recent estimate by TJ Poor in testimony to the legislature for the Renewable Heat Standard, is a possible indicator of costs for this program as well) might cost upwards of **$1 billion dollars** to implement.

I think Ms. Smith and Matt Cota raise excellent questions, the answers to which will make excellent points; and referring to the person in the 3,000 sf house highlights some of the underlying problems of Vermont's increasing carbon footprint (and limits to affordable housing): Larger houses/persons generate more carbon emissions based on size. We have other, more simple solutions to both problems (realizing that this consideration may be outside the PUC analytical purview). And following through the rest of the transcript, pages 28-35, I read a lot of complicated discussion about competing priced credits for DDAs as a form of motivating them (fuel dealers) to move their clients off fossil fuels … until Matt Cota concludes: "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..." *which is a complicated, and likely accurate, assessment that illustrates what thousands of low- to moderate-income Vermonters tried to express to their legislators and were ignored: The PUC was given a complicated and expensive task, outside of their normal purview, (and with far too little time) to develop a program too complicated for legislators to work out.* ***Whatever complicated credit-swapping system the PUC committees can come up with, it will be far more complicated and cost far too much money:*** *that whatever the estimated price tag may be to administer the program could far more simply, efficiently, and effectively be used for* ***direct weatherization services, subsidies, and training programs.*** *And,* ***when coupled with other sensible public policies, would better serve the Vermont public across all income and equity groups;*** *and to a higher level of satisfaction. Who doesn't want support to upgrade and weatherize their homes for lower fuel costs and comfort, in the process of meeting state emission standards?*

This part of my public comment points to the need for **a statewide program** designed to coordinate functional efforts that maximize thermal heat emissions reductions, increase and manage funding sources, and to cut through the bureaucratic constraints that unnecessarily limit Vermont's capacity to fully weatherize all buildings without adding **unnecessarily complicated and expensive economic machinations** in an attempt to achieve a goal that can be more simply and practically accomplished.

There is a **functional need** to cut thermal heat carbon emissions, which should be **the responsibility of the state as the obligated party.** A comprehensive statewide program could have the capacity to **expand *all*** weatherization programs to fill in the gaps currently existing due to economics, funding, and bureaucratic unwieldiness.

And I agree that, "It would be nice to have (more) private businesses in Vermont that were doing weatherization," and enough funding to reach middle income households; and to support the replacement of windows and doors and ***include*** fresh air exchangers. **Statewide** incentives for small businesses, training programs in relevant trades, and support of more innovative technologies, including low impact affordable housing design, and policies that require minimal thermal energy use in all new construction.

The equity committee—and therefore the entire PUC—may have to come to the conclusion that the concept of DDAs and thermal heat credit swapping is NOT efficient or effective in accomplishing the stated legislative goals; that the costs are better applied to direct carbon emissions reductions.