Thomas Weiss
P. O. Box 512
Montpelier, Vermont 05601
March 8, 2024

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

Re: Case No. 23-2221-INV, Proceeding to Design the Potential Clean Heat Standard
Comments on Evaluation Criteria, Eligibility, and Compensation Structure for Default Delivery Agents
Topic tag 7, DDA Criteria

Dear Ms. Anderson:

Here are my comments on evaluation criteria, eligibility, and compensation structure for default delivery agents

Commission's request

The Commission on February 22, 2024 requested comments on evaluation criteria, eligibility, and compensation structure for default delivery agents

1. What criteria should the Commission use to evaluate proposals for default delivery agent appointments?
2. What should be the eligibility requirements for an entity to be appointed as a default delivery agent?
3. What should be the compensation structure for a default delivery agent?
4. Are there any parts of the existing energy efficiency utility order of appointment regulatory model that can serve as helpful models for the creation, appointment, and regulatory oversight of a default delivery agent?
5. What other information should the Commission seek or consider as part of the solicitation or review of default delivery agent proposals?

What criteria should the Commission use to evaluate proposals for default delivery agent appointments?

Experience with managing many small projects in multiple locations.

My reply comments on the subject of pacing show that there are some 260,000 households in Vermont. These households are in single-family dwellings and perhaps 100 per building in some large buildings. I have no information on the number of commercial building and industrial buildings are in Vermont. For this example, I'll use 300,000 as the total number of buildings with thermal loads in the thermal sector. It is likely that many of those buildings will receive measures over the next 25 years. For ease of numbers, let's say that 250,000 of those buildings will need to have some kind of measure provided or multiple measures. That means 10,000 buildings each year for the next 25 years. Those buildings will be distributed cross the entire state. Because a building owner cannot be required to accept measures, the locations will depend on willing owners, wherever they may be located and whatever type of building they have.

The Vermont Fuel Dealers' Association claims that the DDA's will have little business. I have not heard VFDA make any claim as to whether the big wholesalers with no end use customers will procure their credits: on their own or through the DDA(s). So the number of measures that DDA's will actually provide will fall between a lower limit of zero (unlikley) and an upper limit several hundred thousand. And the number also depends on whether a building has measures provided at different times over several years.

Fuel switching is likely only an interim measure, because of the declining carbon intensities. And if fuel switching is done before reducing thermal loads, then we are faced with our current problem: Sending huge sums out of state in order to heat ourselves.

My reply comments on pacing also indicate that total inventory emissions will need to be reduced by 2,370,000 metric tons per year. Including population growth and new buildings, that will be well over 100,000 metric tonnes per year on average, over the next 25 years..

A high end scenario is measures being provided to 10,000 residential units and commercial and industrial buildings each year through all providers..

The DDA(s) could easily be providing measures in several thousand buildings a year.

<u>Which measures will the DDA provide?</u>
Statute requires a DDA to have the capability "of providing a variety of clean heat measures". "Variety" is not defined in Act 18. I would say a variety means at least three, may be at least four.

There is a reason that the measure of thermal energy efficiency improvements and weatherization is first on the list of measures. It is the most important measure. Every DDA candidate should be required to offer this measure in a significant amount and scope of work.

I would not expect a DDA to provide district heating systems (8); fuel switching (9 and 10), and line extensions (12). I think those measures. Those measures likely will be done specialist engineering and construction firms (8); by OP's with existing relationships to customers (9 and 10); and electric utilities or specialist electrical contractors (12).

I recommend that the evaluation should give higher scores in this category to candidates that offer more measures. Having the capability and willingness to provide all 12 will yield the highest score. Scores would decrease with decreasing numbers of measures. And no score to candidates that do not offer significant services in thermal energy efficiency improvements and weatherization.

<u>The speed at which it can provide its offered measures</u>
In this case, speed means how fast can the DDA be up and running and providing all its offered measures?

<u>What should be the eligibility requirements for an entity to be appointed as a default delivery agent?</u>

Statewide

Offers thermal energy efficiency improvements and weatherizaton services. Reduction in thermal loads should be the prime consideration. Reduction in thermal loads means reducing the Btu's / hour going through the buildings envelope and ventilating and water. If the Btu's / hour are not reduced, the equipment will be oversized and more expensive and less efficient than it needs to be when the thermal load is finally reduced.

<u>What should be the compensation structure for a default delivery agent?</u>

The only compensation mentioned in Act 18 is the fees paid by obligated parties for credits. The fee will need to have some overhead in it so the DDA can pay its staff, its rent, all the other things that overhead is used for.

The VFDA has pointed out that the credit cost is the maximum an OP will have to pay to obtain a credit. If the OP can get credits elsewhere for less money and is willing to manage projects on its own, then the DDA will not get that work. As the DDA's overhead goes up, then there is the possibility of the DDA having a lower share of the measures provided.

The fees are used to create credits on behalf of the obligated party. That means that the DDA providing those measures does not own the credits and must deliver the credits to the OP.

A DDA also receives the non-compliance payments. I do not know if it has been determined who will initially own those credits. The DDA? The OP which provided the non-compliance payment?

Act 18 does not address whether credit costs cover 100% of the measure's cost *vs.* whether credit costs cover only a fraction of total costs as an incentive. If the latter is true, then the DDA would likely get a share of the installer's overhead. That could give the DDA additional money to do things like training and market enhancement.

<u>Are there any parts of the existing EEU order of appointment regulatory model that can serve as helpful models for the creation, appointment, and regulatory oversight of a default delivery agent?</u>

The Energy Efficiency Utility is not an appropriate model for the default delivery agent(s). The EEU's funding comes from a tax on electricity. The EEU's have a stable source of funding.

The DDA's funding comes solely from payments from obligated parties and is market-driven in a competitive market. So any activities other than providing measures, must come from the DDA's overhead. And if the DDA's overhead is too high, then the DDA will be pricing itself out of the market.

<u>What other information should the Commission seek or consider as part of the solicitation or review of default delivery agent proposals?</u>

I suggest that the Commission cover the agreements between a DDA and an OP. Here are some points to cover.
- Who will determine the contents? PUC? DDA?
- Will they be contracts? Will the take some other form?
- What will the terms cover? Delivery time? Failure to deliver?

Will the credits provide 100% of the measure? Will they be an incentive?

I ask the Commission give this some thought and give us an outline of this at our workshop next week.

These comments do not provide a complete response to the five questions. They do provide important points that I think need to be resolved before issuing a request for proposals or whatever form the solicitation will take.

I ask that you find that these comments have merit, and that you use them to shape the requirements for evaluation criteria, eligibility, and compensation structure for default delivery agents.

Sincerely,
Thomas Weiss, P. E.