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October 11, 2024
Holly Anderson, PUC Clerk
Vermont Public Utility Commission
112 State Street
Montpelier, VT 05620-2701

Re: Case No. 23-2221-INV, Investigation into the Clean Heat Standard Default Delivery Agent Costs and Quantities, VEIC questions in response to the Public Utility Commission's Request for Information Vermont Clean Heat Standard Default Delivery Agent

Dear Ms. Anderson,

On December 11, 2023, the Vermont Public Utility Commission ("Commission") requested comments on the Default Delivery Agent Obligations, Responsibilities, and Number in the above-referenced proceeding. On January 19, 2024, parties filed comments pursuant to the Commission's December request for comments. Following a workshop on January 25, 2024, the Commission issued an order on February 12th amending the schedule in this proceeding, and on March 7th the Commission suspended the schedule. On April 26, 2024, the Commission issued an Order on the Role, Number, and Status of Default Delivery Agents in the Potential Clean Heat Standard Program. On September 4, 2024, the Commission issued a Request for Information ("RFI"): Vermont Clean Heat Standard Default Delivery Agent. The Commission directs parties to submit questions on the RFI to the Commission by October 11, 2024. On October 1, 2024 the Commission filed a Draft Rule governing the Clean Heat Standard, and the Draft Clean Heat Standard Rule Companion Status Report.

VEIC is the Administrator of Efficiency Vermont, the statewide Energy Efficiency Utility ("EEU"). VEIC believes that the Default Delivery Agent(s) ("DDA") is a critical element of Act 18, and that the role of the DDA must be carefully developed to meet the intent of legislators to drive the clean heat market, reduce costs, and manage uncertainty for the overall impact of the Affordable Heat Act. Based on the Commission's previous schedule(s) for this case, VEIC understood it was the Commission's original intent to solicit a significant amount of information and perspectives from all case parties on the function and impact of a DDA within the complex system of Vermont's current energy system, efficiency providers, and the introduction of clean heat credits, markets, and Obligated Parties.

VEIC understands that the Commission is now soliciting feedback directly from potential DDA bidders before proceeding further in this case. Though VEIC has been considered a potential bidder on DDA services, it remains VEIC's principal intent to participate in the clean heat proceedings as the administrator of Efficiency Vermont and to protect the ratepayer value being generated by existing efficiency programs. After careful review of the Commission's RFI, and consideration of the context of the DDA within the statewide Clean Heat Standard and rulemaking proceeding, VEIC respectfully poses the questions in this letter to clarify the responsibilities and structure of the DDA within the state's evolving energy system. The Commission's answers to these questions would be beneficial for VEIC's

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understanding of the DDA and may determine whether VEIC elects to respond to the RFI as either a potential bidder, or as a stakeholder party representing ratepayer value through efficiency programs.

Questions on Timeline and Previous Orders in this Proceeding

To date, parties have been requested to provide at least two sets of comments on the substantive matters of this proceeding and have received one Order from the Commission. The April 26, 2024 Order defines the roles and responsibilities of the DDA as being "primarily… a program-administrative role under a performance-based regulatory structure." While this is an important starting point for understanding the role of the DDA and the means of oversight by the PUC, there are significant gaps in understanding how the DDA is intended to operate within the context of the Clean Heat Standard. Nonetheless, there are several questions in the RFI that could be read as being redundant to decisions made by the Commission in the April 26, 2024 Order. VEIC raises the following questions on the timeline and consistency in this proceeding.

1. In the context of soliciting responses to the RFI, does the Commission anticipate reopening any substantive topics that were the subject of previous decisions by the Commission in its April Order?
2. Does the Commission's RFI presume consistency with the Commission's principal order in this proceeding, such that a DDA would need to operate on a statewide basis, perform as an administrator of programs, not presume to be an implementer, and work under a form of performance-based regulation?

Following this initial Order, VEIC anticipated questions, comments, and/or a straw proposal on at least one remaining set of topics, including "DDA evaluation criteria, eligibility, and compensation structure." This topic was scheduled to receive comments in March 2024, but was effectively cancelled following the suspension of the schedule, and the Commission did not issue an Order on this topic. However, there are a small number of questions in the RFI that speak indirectly of this topic.[1] Further, VEIC identified in the Commission's October Interim Clean Heat Standard Report that the DDA is listed under *Other Components of the Clean Heat Standard,* where "...the Commission has determined that these tasks are better accomplished using other tools, such as orders, contracting processes, reports, or consultation with State agencies and experts" (P. 13). There are still many unknowns about the intended role of the DDA, which give an even greater focus on the intent of the Commission's request for responses to the RFI and how these responses will fit into the procedural context of the Clean Heat Standard.

3. Does the current RFI process take the place of a more traditional process of soliciting comments, and issuing orders documenting Commission decisions?
4. Should parties not intending to respond to the RFP submit comments in response to the Commission's questions if they are impactful to programs and interests? If so, will there be opportunity for public reply comments to the RFI responses posted to ePUC?

[1]*See RFI questions*: 13, 14, and 15. These questions directly seek responses on the matter of recuperation of costs, cash flow and revenue, and other matters of compensation.

5. In what timeframe will potential applicants to the RFP have certainty through Commission Order for the evaluation criteria, eligibility, and compensation structure of a DDA?
6. Please identify any additional topics pertaining to the DDA role the Commission is expecting to release as Orders between the RFI responses and issuance of an RFP sometime in 2025.

Ongoing Questions Regarding the Role of a DDA in the Clean Heat Market

In its May 3, 2023, memo in Case No. 23-2221-INV the PUC stated it does not intend for the first obligation period to commence before January 1, 2026. Unless otherwise amended by the Legislature, the current statute requires the PUC to approve the first DDA three-year plan and budget by September 1, 2025. VEIC identifies that it currently takes approximately 7-9 months to propose and gain approval from the Commission for a 3-year budget and comprehensive set of goals for Efficiency Vermont, and longer still to develop such a proposal before it is submitted to the PUC. As such, the DDA must be appointed long before that date to facilitate the complex budget and performance-setting process.

7. Given these timelines, what year does the Commission intend to be the first year of the DDA three-year plan? Is there additional information on the time frame of this 3-year plan the Commission can communicate today?
8. Does the Commission anticipate that Obligated Parties will have an opportunity to opt out of DDA services before plans are approved in September 2025? If not, by what date will Obligated Parties have to agree to fund the DDA in exchange for credits?
9. If the Clean Heat Standard is approved by the Legislature, what timeline does the PUC envision for the establishment of elements essential for the DDA to function, including but not limited to:
    a. Clean heat credit tracking and documentation system
    b. 10-year annual clean heat credit requirements

In questions 4a and 4b of the RFI the PUC asks how a DDA would go about obtaining credits; what a DDA could do to coordinate or facilitate the flow of available funds, projects, and workforce to spur credit creation; and what other ways might a DDA obtain credits. Further, Questions 6-8 seek information about coordination with implementers and contractors, customer-facing marketing and communications, and maximizing "outside funding." Based on these questions, it is unclear how the DDA should be providing incremental lift above what current programs exist in the State.

10. Does the PUC envision the DDA as a customer-facing brand that promotes its own programs incremental to and separate from existing programs (e.g. Tier III, EEU, WAP, etc.)?
11. Does the PUC categorize existing programs implemented by EEUs, Distribution Utilities, or Weatherization Agencies as "outside funding" for the DDA to be coordinated with?

The Commission has affirmed in its April order that it intends for the DDA to be an administrator of services under a form of performance regulation. Questions 13-15 ask how a potential DDA would be funded for operating in this capacity, though there are many details associated with the cash flow of the DDA that would be uncertain at the point of filing a response to the Commission's RFI.

12. What entity shall be responsible for collecting payment from Obligated Parties for DDA services, and through which agency will collections be enforced?
13. What assurance will a selected DDA have that Obligated Parties cannot rescind payment for the DDA service if lower-cost credits become available after they have already signaled their intended use of the DDA?

VEIC recognizes in the draft Rule issued by the Commission on Oct 1, 2024, that an installed clean heat measure will generate a lifetime of credits with specific vintage years in which those credits can be retired. Nonetheless, an Obligated Party should not be presumed to purchase the full lifetime of credits upfront, and may only participate in the DDA service on an annual basis for a single year's credit vintage. This may result in a difficulty for the DDA's costs to be fully recovered from the commitment of Obligated Parties alone in a single year.

14. For installed clean heat measures, is the primary function of the DDA's budget to buy down the upfront cost of a clean heat measure for a customer? If so, how does the DDA's budget rely on the lifetime allocation and value of a clean heat credit in the open clean heat credit market?
15. Is the Commission seeking specific proposals for cash-flow models (i.e., cash-reimbursement, cash-plus basis, or amortized expenses) that can be operationalized for the DDA?

VEIC appreciates this opportunity to submit questions regarding the RFI.

Sincerely,

David C. Westman

Director, Regulatory and State Agency Affairs