



**State of Vermont
Public Utility Commission**

MEMORANDUM

To: Participants in Case No. 23-2220-RULE

From: Public Utility Commission Staff
Holly R. Anderson, Clerk^{KRA}

Re: Staff Straw Proposal on Process for review of DDA three-year plans and budgets

Date: July 25, 2024

Introduction: On April 19, 2024, the Commission issued a revised work plan for this docket. Responding to participant feedback that the Commission should seek input on groups of related statutory directives, this memo serves as the staff straw proposal on the process for review of default delivery agent three-year plans and budgets.¹

This straw proposal is meant to solicit specific feedback – reasons why the proposal will or will not work well and whether it addresses the statutory requirements. If a participant does not agree with the proposal, in whole or in part, the participant is encouraged to offer an alternative approach (that includes its advantages and limitations). Comments in response to this proposal must be filed by August 12, 2024. Comments should be tagged with the “8 DDA Budget” dropdown option when filing.

Proposal: If the Clean Heat Standard program takes effect, at least every three years the Public Utility Commission must open a proceeding to establish the default delivery agent(s) credit cost or costs and the quantity of credits to be generated for the subsequent three-year period. The proceeding must include: (A) a potential study conducted by the Department of Public Service; (B) the development of a three-year plan and associated proposed budget by the default delivery agent(s) (“DDA(s)”) to be informed by the final results of the Department’s potential study; and (C) opportunity for public participation.²

This straw proposal addresses the process for review of DDA three-year plans and budgets. This proposal does not address the process for the first review, which presently must be completed by 9/1/25.

¹ For an overview of the work done to date and other information on the proposed Clean Heat Standard, please see the Commission’s Clean Heat website at <https://puc.vermont.gov/clean-heat-standard>.

² 30 V.S.A. § 8125(e).

(A) Potential Study

Commission staff propose the following rule language regarding the required potential study:

“The Department will complete an assessment and quantification of technically available, maximum achievable, and program achievable clean heat measure potential in the thermal sector. The results will include a comparison to the legal obligations of the thermal sector portion of the requirements of 10 V.S.A. § 578(a)(2) and (3). The potential study will consider and evaluate market conditions for delivery of clean heat measures within the State, including an assessment of workforce characteristics capable of meeting consumer demand and meeting the obligations of 10 V.S.A. § 578(a)(2) and (3) every three years and file its final assessment by the May 1 two years before the first year of the compliance period (e.g., by May 1, 2027, for 2029-2031). The Department will file its completed potential study in ePUC. Any contract costs for the potential study may be billed to XXXXXX.

The Department may complete the assessment with the technical assistance of a third-party contractor. The Department will provide obligated parties, Default Delivery Agent(s), and interested stakeholders an opportunity to provide comments and recommendations on appropriate technical and policy assumptions and data inputs for the potential assessment.

Before the assessment is finalized, obligated parties, Default Delivery Agent(s), and other stakeholders will be afforded an opportunity to submit comments, ask questions, and participate in a workshop focused on the assessment.”

Rationale for deadline

Filing the potential study by the May 1 two years before the first year of the compliance period allows time for the potential study to be an input into the Commission’s pacing decision-making process and serve as a reference for DDA budget proposals and plans. The result of the Commission’s review of DDA budget proposals and plans will be publication of DDA credit cost by May 1 of the year preceding the compliance period.³

Questions regarding proposal

1. What source of funds should be used to pay for the Department’s potential study?

(B) DDA three-year plan and budget

Pursuant to Section 8125(e)(1)(B), the default delivery agent must develop a three-year plan and associated budget to be informed by the results of the Department’s potential study. The default delivery agent may propose a portion of its budget towards promotion and market uplift, workforce development, and trainings for clean heat measures.

Commission staff propose that the following elements be required as part of a default delivery agent’s three-year plan. The result would be delineated budgets, plans, credit goals, and performance metrics for each default delivery agent.

- Year-by-year total budgets for generating clean heat credits for three- and ten-year periods;
- Modeled year-by-year clean heat credit generation for three- and ten-year periods;

³ See Staff Straw Proposal on Credit Fulfillment Plans and Criteria, 7/10/24.

- Proposed performance indicators by which the performance of the default delivery agent can be measured over specified time periods;
- An estimate of the cost of delivering each category of clean heat measures or credits (market rate, low-income, low-income installed, moderate-income, and moderate-income installed);
 - The estimates may include per-credit costs for a range of total credit volumes;
- Detailed descriptions of the services to be provided by the default delivery agent over the forecast periods, including the types of clean heat measures or credits that the default delivery agent proposes to generate;
 - The descriptions must address the specific programs required in Section 8125(g), including specific programs for multiunit dwellings, condominiums, rental properties, commercial and industrial buildings, and manufactured homes.
 - The descriptions must address the use of any compliance funds. Pursuant to Section 8125(f), “All funds received from noncompliance payments pursuant to subdivision 8124(f)(2) of this title shall be used by the default delivery agent to provide clean heat measures to customers with low income.”
- Any budgets for promotion and market uplift, workforce development, and trainings not already included in other budgets;
- Proposed compensation structure, if any; and
- Other items as may be determined by the Commission.

Between May 1 and October 1 of the year preceding the compliance period, obligated parties will file, and the Commission will review the obligated parties’ compliance plans. After this, default delivery agents may propose amendments to their plans and budgets.

Questions regarding proposal:

- Are there other elements that should be required in the DDA plan(s) or budget(s)?
- How should the rule address potential upward changes in per-credit prices that result from significant downward changes in Obligated Party participation in DDA services? Should the rule protect Obligated Parties from upward changes in credit prices when DDA budgets are amended?

(C) Public process

Commission staff do not propose specific rule language regarding public process for the review of DDA plans and budgets at this time. If the Commission elects to specify this in the rule, participants will have an opportunity to review and comment on any specific language when the Commission issues its draft rule.

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