



**State of Vermont
Public Utility Commission**

MEMORANDUM

To: Participants in Case No. 23-2220-RULE
From: Riley Allen, Commissioner *JRA*
Re: Process for Assessing the Economic Impacts of Clean Heat Standard required by Act 18
Date: October 17, 2024

As discussed in the Vermont Public Utility Commission's ("Commission") Order of October 1, 2024, the Commission is tasked with the responsibility to report to the legislature the energy sector impacts of the Clean Heat Standard detailed in Act 18. That report to the legislature is due on January 15, 2025.

I held a workshop on October 15 to develop a plan for completing the necessary work. As noted in the Commission's October 1 Order, the pending work will be informed by earlier modeling efforts, including a 2023 model completed by Energy Futures Group and a 2024 model completed by NV5.

Takeaways from the October 15, 2024 Workshop

The following elements for the process going forward were discussed at the workshop. A full recording of the workshop is available at: <https://www.youtube.com/watch?v=EBqRID9E39I>.

Timeline -- We have approximately seven weeks to develop a transparent and user-friendly spreadsheet model that examines the thermal sector economic impacts of a Clean Heat Standard. While this represents a relatively compressed timeline, the Commission is actively soliciting input regarding the model and assumptions.

Preferred Model – There appears to be support for a so-called “bottom up” model. There was support for utilizing the 2023 model developed for the Vermont Agency of Natural Resources (“Thermal Energy Report” model referenced below) as the backbone of the CHS economic impact model.

As mentioned at the workshop, the Commission has retained the assistance of Opinion Dynamics to help facilitate the model development and to help primarily with the look and feel of the model, focusing on the front end (dashboard) and the modular character of the model for transparency and potential usability in the future.

Key Variables – A sensible first major step in the process is to focus on the underlying key assumptions with the opportunity for input into the type and source of assumptions. The Commission will lead and facilitate the vetting of the variables and assumptions.

By the end of next week, I will share a framing document that will identify the key variables that will be used in the modeling. There is currently work underway to help finalize elements of the model and its assumptions. As noted in the October 1 Order, there are already two models that will assist this process: the 2023 Analysis of Buildings/Thermal Energy Sector Emissions Reduction Policies for Vermont (“Thermal Energy Report”) prepared for the State of Vermont by Energy Futures Group, Stockholm Environmental Institute, and Cadmus Group, and the September 3, 2024 NV5 Potential Study prepared for the Department of Public Service. My intent here is not to duplicate good work that can be relied upon going forward. Rather, there seems to be a short list of key variables or drivers used in prior modeling efforts that will significantly impact the model results.

I will develop the list of key variables in consultation with active participants from the first workshop and plan to share that list by October 25. That subsequent memorandum will provide the participants with a short comment period to express either their support or their concerns along with proposed alternatives and an explanation for both the concerns and their preferred alternatives.

Future Work in this Workshop Process

In subsequent phases of this effort, I intend to solicit comments on the sensitivities and scenarios that need to be run to (1) help identify critically sensitive variables, and (2) help bound the analysis of program economic impacts focusing on sectoral impacts (i.e., impacts to the RCI sector and program costs). As noted at the workshop, broader economic economy-wide impacts may then be completed with the benefit of the sector impacts developed in this modeling effort.

Subsequent phases of this effort will also identify the key sectoral outputs, recognizing that the minimum list of outputs to present to the legislature are reflected in Act 18.

As discussed near the end of the last workshop, the guidance document that I share next week will include instructions for filing comments in Case No. 23-2220-RULE that are specific to this workshop process. Notice of the next workshop will go out next week, but will likely be for the week of November 4. The main topic of that workshop will be discussion of the assumptions for the model.

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