

112 State Street  
4<sup>th</sup> Floor  
Montpelier, VT 05620-2701  
TEL: 802-828-2358



TTY/TDD (VT: 800-253-0191)  
FAX: 802-828-3351  
E-mail: [puc.clerk@vermont.gov](mailto:puc.clerk@vermont.gov)  
Internet: [www.puc.vermont.gov](http://www.puc.vermont.gov)

**State of Vermont  
Public Utility Commission**

**MEMORANDUM**

To: Participants in Case No. 23-2221-INV  
From: Vermont Public Utility Commission <sup>HRA</sup>  
Holly R. Anderson, Clerk of the Commission  
Re: Responses to VEIC's questions on the DDA RFI  
Date: November 1, 2024

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On September 4, 2024, the Commission released a Request for Information (“RFI”) that aimed to hone the function of potential CHS default delivery agents (“DDAs”). Questions about the RFI were due on October 11, and the Commission received one set of questions, which were submitted by the Vermont Energy Investment Corporation. This memo provides replies to the submitted questions and is posted for the benefit of all case participants and potential RFI respondents. Final RFI responses are due to the Commission by December 6, 2024.

**Questions and Responses:**

*Question 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?”

*Answer to Question 1:*

No, the Commission does not anticipate reopening any substantive topics on which we have already made decisions. If there are elements of those decisions that, in the eyes of a potential bidder, would be prohibitive to DDA operation, we want to hear that feedback to inform the submission the Commission makes to the Legislature on January 15, 2025.

*Question 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?”

*Answer to Question 2:*

Yes, the RFI presumes consistency with previous orders issued on this topic. If potential bidders identify changes to those decisions that would allow for more effective, creative, or efficient program delivery, the Commission is interested in hearing about those changes and their advantages.

*Question 3:*

“Does the current RFI process take the place of a more traditional process of soliciting comments, and issuing orders documenting Commission decisions?”

*Answer to Question 3:*

Yes, the RFI and RFP process takes the place of the “traditional” approach. However, the RFI/RFP process does not foreclose the Commission’s ability to issue requests for comment on specific topics.

*Question 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?”

*Answer to Question 4:*

Yes, parties not intending to respond to the RFP are invited to submit responses to the RFI. If there are numerous responses to the RFI, the Commission will consider opening a reply comment period commensurate with the length and nature of responses received.

*Question 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?”

*Answer to Question 5:*

The Commission intends to include information about the evaluation criteria, eligibility, and compensation structure in the RFP. If time allows, the Commission may release a draft RFP for public input. We encourage respondents to this RFI to include a discussion of these criteria in their responses to inform the Commission’s thinking and eventual RFP.

*Question 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.”

*Answer to Question 6:*

The Commission plans to release an interim retirement schedule with first-year obligations and details about early action credits, which would inform the magnitude of work for a potential DDA. The Commission will also be sending the proposed Clean Heat Standard rule and accompanying reports to the Legislature in between the RFI and RFP. We hope responses to this

RFI will flow into the RFP the Commission writes, and the Commission will be cognizant of issues raised in RFI responses that may require additional attention before the release of the RFP.

*Question 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?”

*Answer to Question 7:*

The current statutory requirements mandate the approval of a triennial budget and plan by September 1, 2025. The Legislature, if it adopts a Clean Heat Standard, will have to designate when different aspects of the program — including the DDA — would commence.

Absent any other direction from the Legislature, we anticipate that the three-year period for the initial plan and budget to be 2026-2028. If respondents think there is a better period for the first plan, the Commission would be interested in those ideas. We anticipate addressing this question directly in the RFP.

*Question 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?”

*Answer to Question 8:*

The Commission must approve the first DDA three-year plan and budget by September 1, 2025. We do not anticipate knowing the DDA per-credit cost before that date. Obligated parties must have 90 days’ notice of that cost before filing their election forms. The specific timing of individual credit cost publication, obligated party election, and DDA budget finalization is dependent on when and how the Legislature acts on the potential Clean Heat Standard. We are aware of the uncertainty this causes for all parties involved.

We encourage respondents to propose ways for the Legislature to design the start-up of the CHS program, including an explanation of how any such suggestions would benefit the launch of this potential program.

*Question 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”

*Answer to Question 9a:*

If a Clean Heat Standard, as it is currently understood, is adopted by the Legislature, the Commission would then develop or procure a Clean Heat Credit Trading System. We do not currently have an estimate of how long this process would take.

b. “10-year annual clean heat credit requirements”

*Answer to Question 9b:*

The Commission is required to submit 10-year clean heat credit retirement requirements as part of our January 15, 2025, report to the Legislature. Top-line emission reduction trajectories and credit requirements will be included in those materials.

*Question 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.)?”

*Answer to Question 10:*

The Commission is interested in respondents’ opinions on how a DDA could most effectively spur and support the implementation of incremental measures; we are especially curious whether a customer-focused or a measure-provider-focused approach (or some combination) would be most advantageous. We expect a DDA to operate separately from existing programs, but we envision close collaboration with other entities active in the thermal and energy efficiency sectors.

*Question 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?”

*Answer to Question 11:*

Yes, existing thermal programs in the state would be considered “outside funding” from the perspective of a DDA. The Commission is interested in how a DDA might also leverage other sources of outside funding, such as federal money that is available through grant programs, tax credits, or other means.

*Question 12:*

“What entity shall be responsible for collecting payment from Obligated Parties for DDA services, and through which agency will collections be enforced?”

*Answer to Question 12:*

The Commission currently assumes a DDA would be responsible for collecting payments from obligated parties, although we are interested in others’ perspectives on the matter. The Commission would serve as the enforcing authority for these payments, supported by the Department of Public Service and the Office of the Attorney General.

*Question 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?”

*Answer to Question 13:*

In 30 V.S.A. §8122(c), obligated parties are required to receive prior approval from the Commission to obtain their required credits through means other than a DDA. Sections 8.106(b)-(d) of the Draft Proposed Rule operationalize this requirement by mandating obligated parties to file compliance plans with the Commission. If an obligated party does not receive approval from the Commission to obtain its credits in another way, it must use the DDA for that compliance year.

The Commission will issue guidance on payment provisions in a future order or other regulatory document, such as a DDA order of appointment or contract. In addition, 30 V.S.A. § 8124(f)(1) grants the Commission “authority to enforce the requirements of this chapter and any rules or orders adopted to implement the provisions of this chapter. The Commission may use its existing authority under this title. As part of an enforcement order, the Commission may order penalties and injunctive relief.”

*Question 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?”

*Answer to Question 14:*

Buying down the upfront costs of installed measures would be an important element of a DDA’s function. The Clean Heat Standard employs a DDA to ensure carbon savings are realized using the funds raised through the purchase of clean heat credits by obligated parties, so we are requesting information on how that could practically be achieved. An important function of the DDA will be to support liquidity in the credit market by serving as a major coordinator and purchaser of credits generated by measure implementers. The Commission assumes that a DDA would sell single-year credits to obligated parties so obligated parties can meet their current year’s obligation. Credits generated for future years by installed measures would be assets that a DDA carries into future years (assuming the DDA has not otherwise disposed of those restricted active credits). A DDA may also find it useful to purchase single-year credits from various sources in order to fulfill the agreements it made with obligated parties for any given compliance year. We are interested in how a DDA’s budget would handle the up-front costs and anticipated future cash flow, as well as how a DDA might procure credits from sources other than installed measures directly facilitated by that DDA.

*Question 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?”

*Answer to Question 15:*

Yes. Please explain which cash-flow model(s) would best align with the expected operations of a DDA.

PUC Case No. 23-2221-INV - SERVICE LIST

Ashley Adams, *pro se*  
544 S PROSPECT ST  
Burlington, VT 05401  
ashleyjaneadams@gmail.com

Ray Albrecht, P.E., *pro se*  
National Biodiesel Board  
rayalbrechtpe@gmail.com

Isaac Bissell, *pro se*  
isaacwbissell@gmail.com

Stuart Blood, *pro se*  
851 Poor Farm Road  
Thetford Center, VT 05075  
ssblood@riseup.net

Catherine Bock, *pro se*  
175 A North Prospect St.  
Burlington, VT 05401  
tinki.bock@gmail.com

Mary Bouchard  
Vermont Gas Systems, Inc.  
85 Swift Street  
South Burlington, VT 05403  
mbouchard@vermontgas.com

(for Vermont Gas  
Systems, Inc.)

Sarah Braese  
Vermont Public Power Supply Authority  
PO Box 126  
5195 Waterbury-Stowe Road  
Waterbury Center, VT 05677  
sbraese@vppsa.com

(for Vermont Public  
Power Supply Authority)

Carolyn Campion  
The Valero Companies  
One Valero Way  
San Antonio, TX 78249  
Carolyn.Campion@valero.com

(for The Valero  
Companies)

Renee Carpenter, *pro se*  
1085 Coburn Road  
Apt. #1  
Plainfield, VT 05667  
reenehc6@myfairpoint.net

Heidi Clifford  
Irving Oil  
Heidi.Clifford@irvingoil.com

(for Irving Oil)

Andrea Cohen  
Vermont Electric Cooperative, Inc.  
42 Wescom Road  
Johnson, VT 05656  
acohen@vermontelectric.coop

(for Vermont Electric  
Cooperative Inc.)

William Coster  
Vermont Agency of Natural Resources  
1 National Life Drive  
Davis 2  
Montpelier, VT 05620  
billy.coster@vermont.gov

(for Vermont Agency of  
Natural Resources)

Matt Cota, *pro se*  
matt@meadowhillvt.com

Heather D'Arcy  
Vermont Public Power Supply Authority  
PO Box 126  
Waterbury Center, VT 05677  
hdarcy@vppsa.com

(for Vermont Public  
Power Supply Authority)

Connor Daley  
Vermont Public Power Supply Authority  
PO Box 126  
Waterbury Center, VT 05677  
cdaley@vppsa.com

(for Vermont Public  
Power Supply Authority)

Alex DePillis  
Agency of Agriculture Food & Markets  
116 State Street  
Drawer 20  
Montpelier, VT 05620-2901  
Alex.DePillis@vermont.gov

(for Vermont Agency of  
Agriculture, Food and  
Markets)

Alison Despathy, *pro se*  
alison.despathy@gmail.com

Joshua Diamond  
Dinse  
209 Battery Street  
Burlington, VT 05401  
jdiamond@dinse.com

(for Vermont Fuel  
Dealers Association)

Joshua Diamond  
Dinse  
209 Battery Street  
Burlington, VT 05401  
jdiamond@dinse.com

(for Heating and Cooling  
Contractors of Vermont)

Steve Dodge  
Clean Fuels Alliance America  
sdodge@cleanfuels.org

(for Clean Fuels Alliance  
America)

Greg Doremus  
gregoryhdoremus@gmail.com

James Dumont  
PO Box 229  
Bristol, VT 05443  
dumont@gmavt.net

(for Law Office of James  
A. Dumont, Esq. PC)

Laura Edling, *pro se*  
81 Carrigan Drive  
Burlington, VT  
laura.edling@uvm.edu

Brian Evans-Mongeon  
Village of Hyde Park Electric Department  
P.O. Box 400  
Hyde Park, VT 05655  
gm@villageofhydepark.com

(for Village of Hyde  
Park Electric  
Department)

Steven R Farman  
Vermont Public Power Supply Authority  
5195 Waterbury-Stowe rd  
Waterbury Center, VT 05766  
sfarman@vppsa.com

(for Vermont Public  
Power Supply Authority)



Thomas T. Garden  
Triland Partners LP  
PO Box 777  
44 Indian Rock Road  
Windham, NH 03087  
tgarden@trilandpartners.com

(for Triland Partners LP)

Geoffrey Gardner, *pro se*  
938 Old Post Road  
Bradford, VT 05033  
Geoffrey323@myfairpoint.net

Joyce George, *pro se*  
joyce802@gmail.com

Linda Gray, *pro se*  
175 Kerwin Hill Road  
Norwich, VT 05055  
linda.c.gray@gmail.com

Grace Grundhauser  
Green Mountain Power Corporation  
163 Acorn Lane  
Colchester, VT 05446  
grace.grundhauser@greenmountainpower.com

(for Green Mountain  
Power Corporation)

Laura Haight  
Partnership for Policy Integrity  
lhaight@pfpi.net

(for Partnership for  
Policy Integrity)

Geoffrey Hand, Esq.  
SRH Law PLLC  
91 College Street  
PO Box 545  
Burlington, VT 05402  
ghand@srhlaw.com

(for SRH Law PLLC)

Luce Hillman, *pro se*  
University of Vermont  
luce.hillman@uvm.edu

Ken Jones, *pro se*  
Energy Action Network  
kjonesvt5@gmail.com

Marcus Jones  
Living Buildings, LLC  
PO Box 42  
North Bennington, VT 05257  
marcus@livingbuildings.co

(for Living Buildings  
LLC)

Michelle Keller, *pro se*  
vtkeller@gmavt.net

James Kelly, *pro se*  
kellyjfp@gmail.com

William "Casey" Lamont, *pro se*  
City of Burlington Electric Department  
clamont@burlingtonelectric.com

Michael Lazorchak  
Town of Stowe Electric Department  
PO Box 190  
Stowe, VT 05672  
mlazorchak@stoweelectric.com

(for Town of Stowe  
Electric Department)

Donna J. Leban  
American Institute of Architects Vermont Chapter  
7 Iris Lane  
South Burlington, VT 05403  
lightspd@comcast.net

(for American Institute  
Of Architects Vermont  
Chapter)

Sam Lehr  
Coalition for Renewable Natural Gas  
sam.lehr@rngcoalition.com

(for Coalition for  
Renewable Natural Gas)

Stephen Leslie  
Cedar Mountain Farm and Cobb Hill Cheese  
hartlandyoga@yahoo.com

Emily Levin, *pro se*  
elevin@nescaum.org

John Mandeville, *pro se*  
Central Vermont Council on Agencies on Aging  
jmandeville@cvcoa.org

Henry Mauck  
112 State Street  
Montpelier, VT 05620  
henry.mauck@vermont.gov

(for Vermont  
Department of Public  
Service)

John L. McCormick  
Louise Diamond Committee to Protect Next Generations  
280 Rounds Road  
Bristol, VT 05443  
jmccormick@imtd.org

(for Louise Diamond  
Committee to Protect  
Next Generations)

Phillip Merrick  
134 Dale Rd  
Burlington, VT 05408  
philsnextone@gmail.com

Johanna Miller  
Vermont Natural Resources Council  
11 Baldwin Street  
Montpelier, VT 05602  
jmiller@vnrc.org

(for Vermont Natural  
Resources Council)

Liz Miller  
Green Mountain Power  
163 Acorn Lane  
Colchester, VT 05446  
Liz.Miller@greenmountainpower.com

(for Green Mountain  
Power Corporation)

David Mullett  
AllEarth Renewables, Inc.  
94 Harvest Lane, Suite 100  
Williston, VT 05495  
dmullett@allearthrenewables.com

(for ALLEARTH  
RENEWABLES, INC.)

Jen Myers, *pro se*  
Champlain Valley Office of Economic Opportunity  
jmckaymyers2020@gmail.com

Ken Nolan  
Vermont Public Power Supply Authority  
P.O. Box 126  
Waterbury Center, VT 05677  
knolan@vppsa.com

(for Vermont Public  
Power Supply Authority)

Frederick M Parks, *pro se*  
PO Box 217  
Fairfield, VT 05455  
parkstrib@gmail.com

Katherine E Parks, *pro se*  
PO Box 217  
Fairfield, VT 05455  
parkstrib@gmail.com

Jill Pfenning  
Vermont Gas Systems, Inc.  
85 Swift Street  
South Burlington, VT 05403  
jpfenning@vermontgas.com

(for Vermont Gas  
Systems, Inc.)

Gregory Pierce, *pro se*  
12 Farrar Street  
Saint Albans, VT 05478-1540  
greg.pierce7@gmail.com

Walter (TJ) Poor  
Vermont Department of Public Service  
112 State Street  
Montpelier, VT 05620  
tj.poor@vermont.gov

(for Vermont  
Department of Public  
Service)

James Porter, Esq.  
Vermont Department of Public Service  
112 State Street  
Montpelier, VT 05620  
james.porter@vermont.gov

(for Vermont  
Department of Public  
Service)

Pike Porter, *pro se*  
544 S Prospect St  
Burlington, VT 05401  
pikeporter@gmail.com

William Allen Powell  
Washington Electric Co-op  
P.O. Box 8  
East Montpelier, VT 05651  
bill.powell@wec.coop

(for Washington Electric  
Cooperative Inc.)

Jackie Pratt  
Town of Stowe Electric Department  
PO Box 190  
Stowe, VT 05672  
jpratt@stoweelectric.com

(for Town of Stowe  
Electric Department)

Paul J.M. Quackenbush  
SRH Law PLLC  
PO Box 545  
91 College Street  
Burlington, VT 05402-0545  
pquackenbush@srhlaw.com

(for SRH Law PLLC)

Emily Roscoe, *pro se*  
Efficiency Vermont  
eroscoe@veic.org

Paul Rozenberg  
Suburban Propane  
PO Box 206  
240 Route 10 West  
Whippany, NJ 07981  
PROzenberg@suburbanpropane.com

(for Suburban Propane)

Laura Simon, *pro se*  
PO Box 1112  
Wilder, VT 05088  
simonlaura06@gmail.com

Annette Smith  
Vermonters for a Clean Environment, Inc.  
789 Baker Road  
Danby, VT 05739  
vce@vermontel.net

(for Vermonters for a  
Clean Environment)

Sriram Srinivasan, *pro se*  
slsrinivasan@gmail.com

Christopher Trombly  
Vermont State Housing Authority  
christopher.trombly@vsha.org

(for Vermont State  
Housing Authority)

Michael C. Trunzo  
Shenker Russo & Clark LLP  
121 State Street  
4th Floor  
Albany, NY 12207  
michael.trunzo@srclawoffices.com

(for Shenker Russo &  
Clark LLP)

Michael C. Trunzo  
Shenker Russo & Clark LLP  
121 State Street  
4th Floor  
Albany, NY 12207  
michael.trunzo@srclawoffices.com

(for Clean Fuels Alliance  
America)

Jared Ulmer  
Vermont Department of Health  
108 Cherry Street  
Burlington, VT 05402  
Jared.Ulmer@vermont.gov

(for Vermont  
Department of Health)

Ryan Vazza  
Global Partners LP  
800 South Street, Suite 500  
Waltham, MA 02453  
ryan.vazza@globalp.com

(for Global Partners LP)

Floyd V. Vergara, *pro se*  
Clean Fuels Alliance America  
1415 L Street, Suite 460  
Sacramento, CA 95814  
vergara.law@gmail.com

Ben Walsh  
Vermont Public Interest Research Group  
bwalsh@vpirg.org

(for Vermont Public  
Interest Research Group)

Michael Wang, PhD., *pro se*  
Argonne National Laboratory  
mwang@anl.gov

Mia Watson, *pro se*  
Vermont Housing Finance Agency  
164 Saint Paul Street  
Burlington, VT 05401  
mwatson@vhfa.org

Thomas Weiss  
PO Box 512  
Montpelier, VT 05601  
bandsol@together.net

Victoria M. Westgate, Esq.  
SRH Law PLLC  
91 College Street  
P.O. Box 545  
Burlington, VT 05402-0545  
vwestgate@srhlaw.com

(for SRH Law PLLC)

David C. Westman  
Efficiency Vermont - Vermont Energy Investment Corporation  
20 Winooski Falls Way  
5th Floor  
Winooski, VT 05404  
dwestman@veic.org

(for Efficiency Vermont  
- Vermont Energy  
Investment Corporation)

Frederick Weston, *pro se*  
formaine@comcast.net

Chase Whiting, Esq.  
Conservation Law Foundation  
CLF 15 East State Street, Suite 4  
Montpelier, VT 05602  
cwhiting@clf.org

(for Conservation Law  
Foundation)

Amber Widmayer  
City of Burlington Electric Department  
awidmayer@burlingtonelectric.com

(for City of Burlington  
Electric Department)

Geoffrey Wilcox, *pro se*  
State of Vermont Office of Economic Opportunity  
280 State Drive  
Waterbury, VT 05671  
geoff.wilcox@vermont.gov

Patrick Wood, *pro se*  
Ag Methane Advisors LLC  
patrick@agmethaneadvisors.com

Brian Woods  
Agency of Natural Resources-Climate Action Office  
1 National Life Drive  
Davis 2  
Montpelier, VT 05620-3901  
Brian.Woods@vermont.gov

(for Vermont Agency of  
Natural Resources)

Dylan Zwicky  
Leonine Public Affairs  
Dylan@leoninepublicaffairs.com

(for Leonine Public  
Affairs)