

May 22, 2024

Ms. Holly Anderson, Clerk
Vermont Public Utility Commission
112 State Street
Post Office Drawer 20
Montpelier, Vermont 05620-2701

Re: **23-2220-RULE**– EAG comments on Staff Proposal: Initial Ownership of Clean Heat Credits

Dear Clerk Anderson,

Attached are three memos encompassing the Equity Advisory Group's response to the straw proposal created by the Vermont Public Utility Commission ("Commission") Staff on credit ownership issues ("Staff Proposal: Initial Ownership of Clean Heat Credits"). These memos were previously submitted individually to Commission Staff over a series of several weeks but are combined here to be submitted to the Commission docket to be available to the public.

Sincerely,

A handwritten signature in black ink that reads "Mia Watson". The signature is fluid and cursive, with the first name "Mia" and last name "Watson" clearly distinguishable.

Mia Watson, Chair
On behalf of the Clean Heat Standard Equity Advisory Group

April 17, 2024

Ms. Holly Anderson, Clerk
Vermont Public Utility Commission
112 State Street
Post Office Drawer 20
Montpelier, Vermont 05620-2701

Re: **Case No. 23** – EAG comments on Staff Proposal: Initial Ownership of Clean Heat Credits

Dear Clerk Anderson,

The Equity Advisory Group (EAG) for the Clean Heat Standard (CHS) proceeding (Case No.23) has reviewed the straw proposal created by the Vermont Public Utility Commission (“Commission”) Staff on credit ownership issues (“Staff Proposal: Initial Ownership of Clean Heat Credits”) and wishes to provide feedback on matters to consider as the Commission continues its rulemaking. EAG members urge the Commission to make the process for credit transfers as simple, transparent, and fair as possible for parties involved in clean heat credit generating activities.

EAG members agree with Commission staff that for installed measures, end-use customers should be awarded all clean heat credits. However, the term “customers” should be clarified. In this context, it appears to mean “individual(s) or businesses who *own the building or property* in which the equipment is being installed”. However, the Commission Staff should confirm that this definition matches their intent in the proposal, and this definition should be made as clear as possible in final rules. This will help to avoid ambiguity in circumstances, for example, in which a third party or parties are financing the purchase, a third party is purchasing equipment for a project, or situations with a landlord-tenant relationship in which the tenant is the fuel customer, but the landlord is purchasing or owns installed equipment.

The Commission Staff proposal asserts that “customer credit ownership will give customers negotiating power in their contractual agreements with their installer or deliverer, which could result in an exchange of incentives for the credit, likely reducing the cost of the clean heat measure to the customer.”

However, this statement assumes that customers will have sufficient knowledge of the value of their credits to inform their negotiations. This cannot be presumed based on the information Staff are currently proposing to be provided to credit owners. Individuals and

small business owners will have a significant knowledge imbalance compared to obligated parties seeking to obtain and maximize the value of credits.

In addition to the proposal from Commission Staff that the Commission could require “installers or deliverers to provide Commission-approved information about the Clean Heat Standard program, alternative technologies and fuels, and information about what programs are available to help pay for measures”, EAG members suggest that the Commission consider providing the following information:

- Estimated greenhouse gas emissions reductions generated from installation of measures.
- The number of clean heat credits generated from the measures.
- Information on the monetary value of the credits generated from the measures.
- Estimated energy cost savings generated from installation of the measures.
- Health disclosures related to the installed measures (if any).

In developing these recommendations, EAG members debated the feasibility of additional disclosures, and acknowledge that the Commission will need to assess whether this additional information above is readily available at the time of a measure installation or credit transfer. In particular, the value of credits is expected to fluctuate, and may be unclear at the time of installation. However, if the Commission is serious about empowering customers, it should strive to provide as much information as practically possible to aid customers in their negotiations.

To that end, the Commission should consider what information the Commission itself could make available to consumers and the public as it designs a marketplace. EAG members have also suggested that the Commission explore establishing a permanent ombudsperson position to help customers navigate credit transactions.

EAG members continue to discuss issues of credit ownership for delivered measures. However, the EAG recommend that at a minimum, delivered fuels generating clean heat credits also be accompanied by information disclosures, to the extent practical, including:

- Commission-approved information about the CHS Program.
- Alternative technologies and fuels
- Information about programs available to help pay for measures.
- Estimated greenhouse gas emissions reductions generated from delivered fuels
- The number of clean heat credits generated from the measures.
- Information on the monetary value of the credits generated from the measures.
- Health disclosures related to the delivered fuels (if any).

The EAG sees issues of credit ownership as one of the most important elements of the Clean Heat Standard, with significant equity and affordability implications, and expects to continue to provide feedback to the Commission as the CHS framework is developed.

Sincerely,

A handwritten signature in black ink that reads "Mia Watson". The signature is fluid and cursive, with the first name "Mia" and last name "Watson" clearly distinguishable.

Mia Watson, Chair

On behalf of the Clean Heat Standard Equity Advisory Group

May 14, 2024

Ms. Holly Anderson, Clerk
Vermont Public Utility Commission
112 State Street
Post Office Drawer 20
Montpelier, Vermont 05620-2701

Re: **Case No. 23** – EAG comments on Staff Proposal: Initial Ownership of Clean Heat Credits

Dear Clerk Anderson,

The Equity Advisory Group (EAG) for the Clean Heat Standard (CHS) proceeding (Case No.23) has continued to review the straw proposal created by the Vermont Public Utility Commission (“Commission”) Staff on credit ownership issues (“Staff Proposal: Initial Ownership of Clean Heat Credits”) and wishes to provide additional feedback on matters to consider as the Commission continues its rulemaking.

The EAG reiterates its position that credit ownership for installed measures should originate with the owner of the property in which the measure is being installed. This should be the framework even though in many cases, the credit may be immediately thereafter traded to an entity offering financing or incentives.

A system that has credits belonging to the property owner can provide an additional incentive for pursuing greenhouse gas-reducing improvements to their property. Another type of ownership system, for example, one in which the entity providing financing or rebates or otherwise induces the project to occur, will be less equitable and more complicated. This approach would reduce or eliminate negotiating power for low- and moderate-income households to potentially obtain better pricing for these improvements. In addition, since projects may have multiple parties offering financing or incentives, determining who “induces” the project could potentially be complex and create disputes about ownership. In the view of the EAG, transfer of credit ownership should be a matter of contract negotiation, one that is well-supported by information provided to the property owner to aid their decision-making.

The EAG discussed a general waiver of this principle in the final rules if another entity entirely pays for a project, particularly for the Weatherization Assistance Program (WAP). However, other members feel that it may be simpler to have all ownership for installed measures originate with property owners and have WAP recipients sign an agreement transferring their credits to the WAP agency or the Vermont Office of

Economic Opportunity (OEO). In recognition of continued differences of opinion, some members of the group plan to submit additional comments on this issue, which will be added to this memo when distributed to PUC Staff.

EAG members feel that the ownership structure for installed measures proposed above, with property owners initially owning credits, should be the same during the early action period and the full CHS implementation. EAG members acknowledge that retroactively seeking consent to obtain credits from property owners may represent a significant logistical challenge. Nevertheless, it would be inequitable to treat property owners differently during different phases of the CHS implementation.

The EAG felt it was important to provide as much feedback on credit ownership as possible by the May 17th deadline requested by the Commission Staff. However, EAG members still have unresolved questions about issues related to credit ownership, particularly for delivered measures. The EAG anticipates continuing to discuss these issues and providing feedback to the Commission as the CHS framework is finalized.

Sincerely,

A handwritten signature in black ink, appearing to read "Mia Watson". The signature is fluid and cursive, with the first name "Mia" and last name "Watson" clearly distinguishable.

Mia Watson, Chair

On behalf of the Clean Heat Standard Equity Advisory Group

Re: Case No. 23-2220-RULE

Dissenting opinion: Recommending that Vermont Home Weatherization Assistance Program (WAP) retain initial Clean Heat Standard (CHS) credit ownership

On March 25, 2024, the Public Utility Commission ("Commission") shared a straw proposal on Clean Heat Credit Ownership. The Commission requested feedback from the Clean Heat Standard Equity Advisory Group ("EAG") on the proposal by May 17, 2024.

By a vote of 4-3-3 with 1 abstaining and 2 absent, the EAG has taken the position that credit ownership for installed measures should originate with the owner of the property where clean heat measures are being installed. The motion as voted on included the option for individual members to file addendums. This opinion from the full EAG is discussed in further detail in the memo sent from the full EAG in response to the document titled: "Staff Proposal: Initial Ownership of Clean Heat Credits." This memo should be considered an addendum to the memo authored by the full EAG.

For the reasons articulated below, the signed members of this dissent advocate that programs that provide 100% of the incentive cost – with zero financial contribution from the customer – should retain initial ownership of the Clean Heat Credit. This treatment of programs will better promote equity in design of the Clean Heat Standard ("CHS"). The only known program in the State that would currently qualify for such treatment is the Vermont Home Weatherization Assistance Program, administered by the State of Vermont Office of Economic Opportunity ("OEO"). This treatment of programs will better promote equity in design of the Clean Heat Standard ("CHS"). For the purposes of this memo, we use WAP as the specific example, but issues raised below could also theoretically apply to any program(s) that provide 100% incentive costs to customers.

Background

To provide a framework for this document, it is helpful to refer to § 8121 of Act 18 which says:

...it is the intent of the General Assembly that the Clean Heat Standard be designed and implemented in a manner that achieves Vermont's thermal sector greenhouse gas emissions reductions necessary to meet the requirements of 10 V.S.A. § 578(a)(2) and (3), minimizes costs to customers, protects public health, and recognizes that affordable heating is essential for Vermonters. It shall enhance social equity by prioritizing customers with low income and moderate income and those households with the highest energy burdens.¹

The Intent of Act 18 in many ways summarizes why programs that provide 100% of the incentive cost to participants should retain initial ownership of the Clean Heat Credits. Such programs minimize cost for participants. In the case of the WAP, health and safety regulations

¹ Vt. Stat. Ann. tit. 30, § 8121.

are built into the program, energy savings average 29.7% per household² and program participants are prioritized on a level of need basis, with those most in need prioritized for service first.

Energy Burden and Accessibility to other programs

Currently, WAP is the only existing program to exclusively serve low-income households and cover program costs at 100% with zero contribution required on behalf program participants³ ~~costs~~ and as a result, many low-income Vermonters do not have the financial means necessary to access other energy efficiency programs that require applicants to make a financial contribution. For many low-income Vermonters, the only way to benefit from installed clean heat measures may be through a program such as WAP that covers 100% of the cost of services. Customers of the WAP make no monetary contribution to the cost of their Project and have no expectation of a value created by the CHS. Moreover, even if they received credit, they would derive little value from the credit itself, as they are unlikely to participate in a clean heat credit marketplace where they could monetize the credit. The credit would most likely go unused.

New revenue stream to spur program growth

The Equity Advisory Group was established in part “...to assist the Commission in developing and implementing the Clean Heat Standard in a manner that ensures an equitable share of clean heat measures are delivered to Vermonters with low income...”⁵ The WAP receiving initial credit ownership for all CHS measures installed as part of WAP activities would ensure that an equitable share of installed clean heat measures go to low-income Vermonters, because it would create a new revenue source for the WAP which could then be reinvested to expand their services, serving more of the most vulnerable Vermonters. for the WAP from the sale of WAP generated CHS credits to obligated parties, would ensure funding for the WAP into the future. This will increase equitable access to CHS measures for low-income Vermonters for years to come.

Compatibility with existing program administration

If the owner of a property where clean heat measures were installed as part of WAP activities were to receive initial credit ownership, WAP would receive no CHS credits from the investments that the program made in those properties without administering the transfer of credits from these property owners to WAP. This would represent a heavy administrative burden for WAP staff. The WAP completed weatherization services at 1,139 homes in state

² <https://legislature.vermont.gov/assets/Legislative-Reports/Annual-Weatherization-Leg-Report-Jan-2024.pdf>.

³ Review of a recently compiled spreadsheet of all the existing heating and weatherization programs that exist today in Vermont supports this. <https://puc.vermont.gov/document/eag-meeting-materials/04302024>.

⁴ (“Vermont Energy Burden Report” (EVT), 2019).

⁵ tit. 30, § 8129(a).

fiscal year 2023.⁶ With such a large number of clients receiving WAP services annually, the resources that would be needed to facilitate the transfer of CHS credit ownership from thousands of individual Vermont property owners to WAP could be significant.

Granting the WAP initial credit ownership for CHS credits generated from WAP investments would eliminate the need for thousands of credit ownership transactions between WAP and its clients annually, and the newly created CHS credit market could be integrated into this long standing and important program while minimizing new administrative burdens and costs.

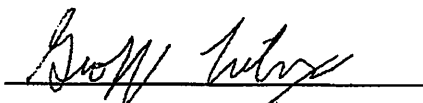
Conclusion

Giving initial CHS credit ownership to programs that provide 100% of incentive costs (such as the WAP) aligns with the stated intent of Act 18. This ownership structure would mesh well with existing policies and procedures, by minimizing administrative burden and costs. This simplifying of initial credit ownership also would provide new revenue to programs that provide 100% of incentive costs and more equitably serve Vermonters as a result of expanded services reaching a greater number of program participants annually.

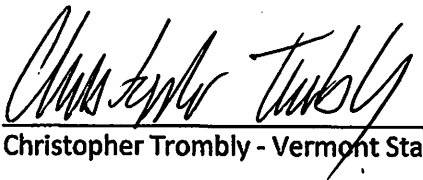
Thank you for your consideration.

By: /s/ Benjamin Bolaski

Benjamin Bolaski, Thermal Energy Program Specialist
Vermont Department of Public Service
112 State Street
Montpelier, VT 05620
(802) 261-7036



Geoff Wilcox - State of Vermont Office of Economic Opportunity



Christopher Trombly - Vermont State Housing Authority

⁶ <https://legislature.vermont.gov/assets/Legislative-Reports/Annual-Weatherization-Leg-Report-Jan-2024.pdf>.