

# Public Service Department Comments on S.5

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BEFORE HOUSE COMMITTEE ON ENVIRONMENT AND ENERGY  
MARCH 31, 2023

# 2022 VT Comprehensive Energy Plan

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**This Comprehensive Energy Plan calls for the formal consideration of a Clean Heat Standard...** this measured step will allow for full evaluation of equity considerations together with the total costs and benefits to all Vermonters. CEP p. 22

# Timing

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- There is a need to act to reduce GHG emissions, and we are:
- Vermont is making significant investments in electrification and weatherization
  - Foundation of existing programs expanded by influx of federal funds
  - Unlikely that more could be done in the near term given workforce & supply chain shortages.
- Goal should be to develop a sensible, long-term strategy that:
  - reduces emissions,
  - enhances equity,
  - does not impose unnecessary costs,
  - and is informed by Vermonters.
- S. 5 won't accelerate thermal sector progress in the near term.

# Federal Funding

## **\$67 Million ARPA** Funds allocated to PSD through 2023 Budget

- Deployment awaited Revenue Loss designation as many activities contemplated were ineligible uses of ARPA funding. Now developing agreements and solicitations to deploy.
- \$35million to EVT for moderate income weatherization (~3600 units)
- \$20million to support home electric upgrades for low and moderate income (LMI) households (~5,000)
- \$5 million to install heat pump hot water heaters for LMI
- \$7 million for Energy Storage Access Program for storage systems in VT homes, municipal buildings, support municipal/cooperative utility software solutions

## **\$3 million IJA** funds through State Energy Program (5 years) to be used for:

- workforce training
- innovation grants to RPCs, municipalities, energy committees, and small utilities
- assistance for PSD to apply for other, competitive funding opportunities

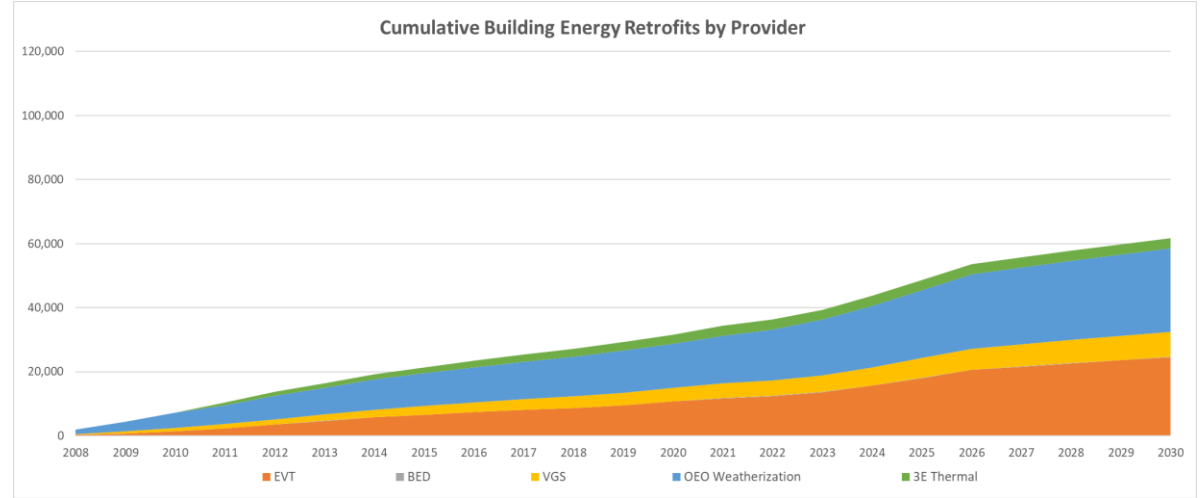
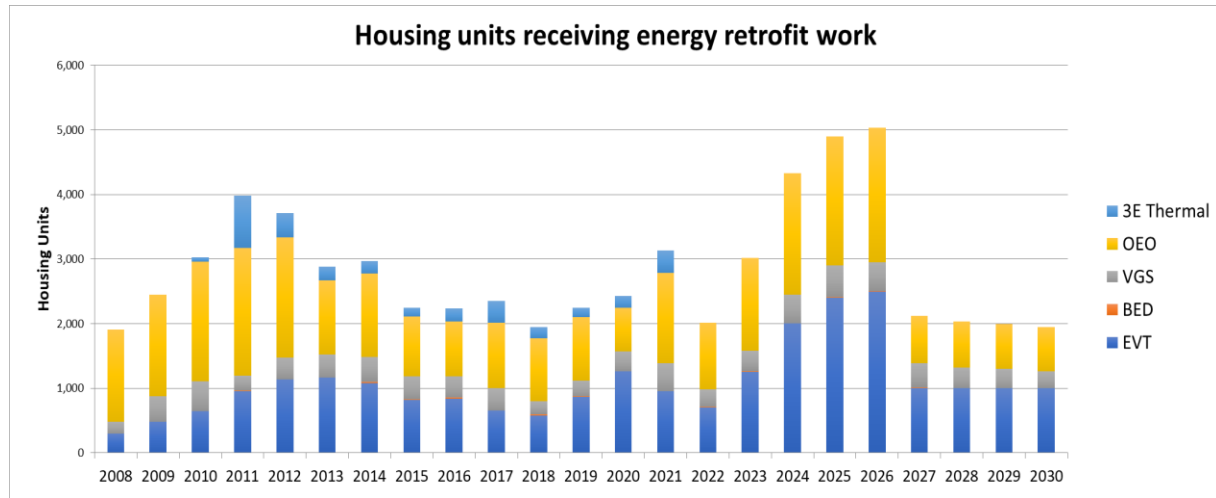
## **\$2.2 million IJA** Funds directed to BGS State Energy Management Program for Municipal Energy projects

## **\$8.5 Million for Clean Heat Homes** plus \$5 Million in state funding proposed.

## **\$58 million IRA** funds through PSD - \$29 million each for weatherization (to EVT, likely), and point of sale rebates for appliances

## **Inflation Reduction Act** Climate Pollution Reduction Grants

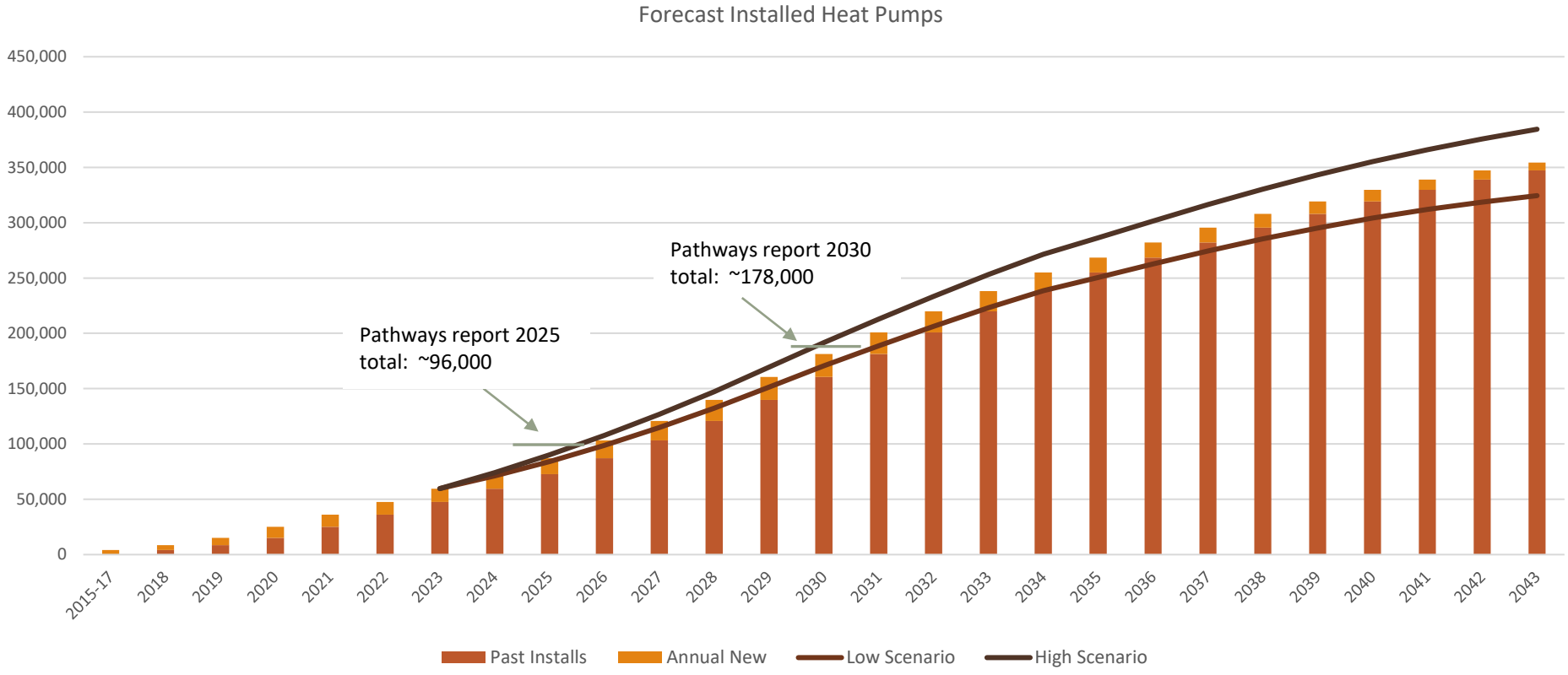
- VT to receive **\$3 million** in formula funding for GHG Mitigation Planning. Climate Office to opt in and funding summer 2023
- EPA will then award \$4.6 billion (competitively) to implement priority and Comprehensive Climate Action Plans delivered pursuant to the Planning grant. Via Climate Office at ANR



# Weatherization

\*Annual totals for forecast years provided for illustrative purposes only. They reflect PSD assumptions following discussions with implementers and estimates with the following caveats:  
 Numbers are not exact, but provided to show magnitude of units weatherized.  
 - OEO Estimated FY – turned into calendar years  
 Historical Data breaks out Multi-Family provider 3E Thermal, which is supported by both OEO and EVT. 3E is not separated in forecast  
 VGS Demand Resources Plan Estimate

# Heat Pump Forecast



# Public Engagement

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## ❖ Procedural Equity is Lacking

- Vermonters have not had the opportunity to shape this policy proposal.

*“Environmental justice” means all individuals are afforded equitable access to and distribution of environmental benefits; equitable distribution of environmental burdens; and fair and equitable treatment and **meaningful participation in decision-making processes, including the development, implementation, and enforcement of environmental laws, regulations, and policies.***

*It is further the policy of the State of Vermont to provide the opportunity **for the meaningful participation of all individuals**, with particular attention to environmental justice focus populations, in the development, implementation, or enforcement of any law, regulation, or policy.*

– Act 154 of 2022

## ❖ Public Engagement process happens too late under S. 5.

- The PUC has very little discretion to make changes to the Clean Heat Standard based on the input it receives.

# Cost Considerations

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- **Significant uncertainty** around the cost of this policy exists.
  - Need to understand costs in order to mitigate them.
- Other Major Energy Policies in Vermont were implemented with cost-containment mechanisms.
  - Overall **Budget Cap** for Efficiency Vermont
  - **Alternative Compliance Payment** for the Renewable Energy Standard
- Mechanisms in S.5 to smooth costs do not lower them
  - Early adopter credits will require PUC to set higher targets – only benefits current actors
  - PUC ability to relieve obligations is limited; new obligations will be higher
- Legislature should consider whether there is a maximum acceptable cost for the Clean Heat Standard.
- GWSA is not a mandate to take action at any and all costs.
  - Calls for most cost-effective pathways to be prioritized



# Thermal Policy Analysis

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- Thermal Sector Analysis is underway
  - What are Vermont's policy options to achieve thermal sector GHG reductions?
    - Which option is most cost-effective societally, to Vermont, to consumers?
- Comprehensive look at Costs and Benefits
  - **How will a Clean Heat Standard (or another policy) impact VT Households?**
    - Distribution of Costs and Benefits to Demographic Segments
    - Effects to participants and non-participants.
- The Baseline has changed since Climate Action Plan was adopted
  - Unprecedented amount of federal funding for climate action flowing to VT

# Structural Considerations

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- The Department supports the inclusion of a Potential Study under S. 5.
  - Study will estimate what is *Technically Achievable*, *Economically Achievable*, and *Program Achievable*.
- PUC lacks flexibility to adjust design based on study results
  - PUC does not have latitude to adjust design if components of the market are unworkable.
  - What if meeting targets is not technical feasible?
  - What if doing so is not cost-effective?
- Considerable investment in program design takes place before final approval.
- Significant complexity will likely increase administrative costs
  - Integration of Tier 3 credits (lifetime, based on fossil fuel reduction)
  - Unknown number of regulated entities
  - Credit tracking system will need to be built
- Is this cost and complexity necessary to meet GWSA requirements?

# Recommendation

- Let Thermal Sector Analysis play out
  - If a Clean Heat Standard is the best option, that will emerge from analysis.
  - Allow cost estimates to inform policy design.
- Transparently evaluate thermal sector policy options
  - Conduct stakeholder engagement
  - Carry out Potential Study for Thermal Sector
  - Provide recommendations to the Governor and Legislature based on findings.
- Require fuel data reporting
  - Inform policy discussion on Clean Heat Standard
  - Lay groundwork for regulatory structure