

# Public Service Department Initial Comments on S.5

---

BEFORE SENATE NATURAL RESOURCES COMMITTEE

JANUARY 25, 2023

# Thermal Sector Context

---

- Thermal Sector accounts for more than a third of Vermont's GHG emissions
- Progress in this sector has been slow largely due to the lack of an adequate and consistent funding stream
- Need to create an equitable and affordable transition
- The proposed Clean Heat Standard is one policy option.
  - Is it the best option?
  - Is it designed to minimize unnecessary costs?

# 2022 VT Comprehensive Energy Plan

---

*The Public Utility Commission should consider, by January of 2023, completing a study of the potential cost and equity implications of a Clean Heat Standard under different design parameters and expected measures, including the expected resources necessary to administer such a program. Following review of the PUC's CHS study, the Legislature should determine whether to authorize the Commission to adopt a CHS, provided it can be structured to equitably meet GHG requirements at a reasonable cost to Vermont consumers. CEP p. 188*

# Timing

---

- GWSA is not a mandate to take action at any and all costs.
- There is a need to act, and we are:
- Vermont is making significant investments in electrification and weatherization
  - Unlikely that more could be done in the near term given workforce & supply chain shortages.
- S. 5 won't accelerate progress in the near term.
- Goal should be to develop a sensible, long-term strategy that reduces emissions, enhances equity, and does not incur unnecessary costs.

# Analysis of Thermal Policy Alternatives

---

- Thermal Sector Analysis is underway
  - What are Vermont's options to achieve thermal sector GHG reductions?
- Comprehensive look at Costs and Benefits
  - Distribution of Costs and Benefits to Demographic Segments
    - **How will a Clean Heat Standard (or another policy) impact VT Households?**
    - Need to know the impacts so we can figure out how to mitigate them.
- Acknowledge that the Baseline has changed
  - Unprecedented amount of federal funding for climate action flowing to VT

# Core Policy Questions

---

- ❖ What needs to be done to meet GWSA requirements?
- ❖ What are we already doing?
- ❖ What **else** must be done?
- ❖ How do we do it at least cost with equity embedded?

# Recommendation

- Let Thermal Sector Analysis play out
  - If CHS is best option that will emerge from analysis
- Implement fuel data reporting requirement
  - Inform policy discussion on CHS
  - Lay groundwork for regulatory structure
- Evaluate thermal sector policy options
  - Conduct stakeholder engagement
  - Recommendations to the Governor and Legislature

# General Comments on S. 5

---

- Complexity is concerning
  - Significant expansion of TAG's role (lifecycle analysis, customer economics, coordination with other programs)
  - Significant Cost of Credit Tracking, Enforcement, Compliance
- Clarity promotes transparency and accountability
  - What decisions are delegated by the Legislature
  - Who owns the Clean Heat Credits? Is this determination left to the PUC?
  - Be explicit where you want PUC to exercise discretion
    - e.g. flexibility to determine % LI



# Specific Comments

---

- 8124 Compliance
  - Places burden on PUC to determine acceptable cost without guidance
  - “Equitable Opportunity” language is ambiguous
    - Has been problematic in Tier 3 context
- 8125 Eligible measures
  - Renewable Electricity is included
    - These GHG reductions are accounted for in electric sector.
- 8127 Equity Advisory Group
  - Is there accountability to follow through on recommendations?
  - More thought needed on how this relates to Environmental Justice Bill and EJ Advisory Council
- 8128 Consumer protection
  - Attorney General’s Office should be the lead with input from PSD

# Interaction with Existing Programs

---

- 8125

- j) Credit eligibility

- Intended to include Federal programs as well?
    - EEUs and DUs should provide input on this interaction with current programs.

- Introduces high degree of complexity which raises administrative cost.
- Interplay between regulated and unregulated entities has not been fully explored.
- How existing programs interact needs to be further considered.

# Public Engagement

---

- Section 5 c) Public engagement process to “inform the design and implementation of the Clean Heat Standard”
  - This engagement comes after the policy has been determined.
  - PUC has very limited ability to integrate public input.
- Act 154 Calls on State to do better with public engagement.
  - EJ requires “meaningful participation in decision-making processes, including the development, implementation, and enforcement of environmental laws, regulations, and policies.”
- Climate Council did not do this due to time constraints
- EAN group is not responsible for public engagement