

**Proposed Cost Effectiveness Subcommittee Recommendations to Full Act 47 Committee**  
Draft 9/22/2023

1. Continue calculating energy code "cost effectiveness" as has been done historically from the consumers' perspective for a typical Vermont new home based on achieving positive cash flow assuming incremental costs (net of incentives that are available to all customers statewide)<sup>1</sup> for energy code improvements from current code levels, financed in a 30-year mortgage for RBES (15 years for CBES) at the current construction costs and mortgage rate using average current Vermont fuel costs. In addition, provide the following analyses:
  - a. Return on Investment (ROI)
  - b. Simple Payback
  - c. Include a calculation that adjusts the fuel savings benefits by the social cost of carbon, using a range of the social cost of carbon values based on regional studies referenced by the PUC and EEU's
2. Establish a new committee of energy, economic, and housing experts to research and address whether and how to best include the cost of carbon and non-energy benefits in building energy codes. This committee's charge should be:
  - a. Develop a methodology for determining an appropriate level of the cost of carbon and non-energy benefits for calculating societal cost effectiveness for building code evolution based on evolving research, PUC proceedings, and approved tools that include the social cost of carbon and health benefits.
  - b. Address the relationship of "cost of carbon" screening to "net zero capable" 2030 state goals for energy codes and the state's broader climate goals. Determine a methodology for defining "net zero capable" code standard.
  - c. Determine a policy framework for how state and/or utility incentives may be structured to subsidize all or major portions of "cost of carbon" measures with a focus on equity.
  - d. Identify opportunities through the DPU process and other approaches to cover the societal cost of carbon with incentives in order to shift the costs of the more efficient buildings from the owner to society since they will receive the benefits. Filling this last increment between the current energy code and "net zero ready" may be the role that EEU's play in the new construction market to provide the technical assistance and/or incentives in exchange for claiming the energy and carbon savings.
  - e. Additionally, analyze costs and savings from the new construction market "industry standard practice" (ISP) in addition to the legacy approach that analyzes costs and savings from the existing code level. Consider using a Delphi panel of experts to determine the current market ISP rather than relying on the PSD's market assessment studies that look back at earlier code versions.<sup>2</sup>

**Commented [EB1]:** Comment from Jason Webster, "I thought we were going to move all carbon / social accounting to item 2), new committee? So item 1) (c) should move to 2)."

**Commented [EB2R1]:** Comment from Scott, "As to Jason's point, I suggest leaving it as part of the "additional info" analyses captured in 1) a) through d). I agree that the impacts of 1) c) come under 2), but I still think it's good info and meaningful to consumers sensitive to the costs of transforming Earth's climate. Working through 2) will undoubtedly take more time."

**Commented [KL3R1]:** The PSD included this in the most recent update and will continue to do so as it's a recommendation we included in the Comprehensive Energy Plan. This does not mean this will be used to determine whether particular measures are cost-effective and therefore recommended for the energy standard updates.

<sup>1</sup> Could be mentioned in narrative. But Kelly commented, "There is no obligation for the EEU's or any other entity to continue to provide any incentives available at the time of analysis (they could be changed at any time). Without a commitment that they would be continued at least until the next code update/3 years, I wouldn't feel comfortable including them in the analysis."

<sup>2</sup> Kelly commented, there should be further discussion about 2(e) because it will take more resources for PSD to include this in the analysis and therefore funding needs to be assessed, also PSD is not sure the information they get from the market assessments is adequate for the suggestion given it's a small sample (at least for the most recent

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study), its self-selected for participation in the study, and its delayed by a few years so your looking back to what's been done three or so years ago to set what should be done going forward.