

§ 8123. DEFINITIONS (VHFA)

- 5) "Customer with low income" means a customer with a household income of up to 60 percent of the area or statewide median income, whichever is greater, as published annually by the U.S. Department of Housing and Urban Development or a customer who qualifies for a government-sponsored, low-income energy subsidy.
- (6) "Customer with moderate income" means a customer with a household income between 60 percent and 120 percent of the area or statewide median income, whichever is greater, as published annually by the U.S. Department of Housing and Urban Development.

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8124. CLEAN HEAT STANDARD COMPLIANCE (VHFA)

- d (2) Of their annual requirement, each obligated party shall retire at least 16 percent from customers with low income and an additional 16 percent from customers with low or moderate income.
- D(4) (4) With consideration to how to best serve customers with low income and moderate income, the Commission shall have authority to change-increase the percentages established in subdivision (2) of this subsection for good cause after consultation with the Equity Advisory Group, notice, and opportunity for public process. Good cause may include a shortage of clean heat credits or undue adverse financial impacts on particular customers or demographic segments

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d (5) In determining whether to exceed the minimum percentages of clean heat measures that must be delivered to customers with low income and moderate income, the Commission shall take into account participation in other government-sponsored low-income and moderate-income weatherization programs.

Participation in other government sponsored low income and moderate-income weatherization programs should not limit the availability of clean heat measures available to those households by nature of that participation. VHFA

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f (2) The Commission shall order an obligated party that fails to retire the number of clean heat credits required in a given year, including the required amounts from customers with low income and moderate income, to make a noncompliance payment to the default delivery agent. The per-credit amount of the noncompliance payment shall be four times the amount established by the Commission for timely per-credit payments to the default delivery agent

(A) The Commission may waive the noncompliance payment required by this subdivision (2) for an obligated party which failed to retire the number of clean heat credits required in the preceding year if the Commission:

(1) finds that the obligated party made a good faith effort to achieve the required amount and its failure to achieve that amount resulted from market factors beyond its control; and

(II) directs the obligated party add the difference between the clean heat credits required to be retired and the clean heat credits the obligated party actually retired for that year to its required amount for one or more future years. (BIZ)

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- 8125 Default Delivery Agent (EV)
- (e) Budget
- (1) The Commission shall open a proceeding on or before July 1, 2023 and every three years thereafter to establish the default delivery agent credit cost or costs for the subsequent three-year period. That proceeding shall include:
 - (A) an initial potential study conducted by the Department of Public Service to include an assessment and quantification of available technically available, maximum achievable, and program achievable thermal resources. The results shall include a comparison to the legal obligations of the thermal sector portion of the GWSA and 10 V.S.A. 578. The potential study shall consider and evaluate thermal market conditions for delivery of clean heat measures within the state, including an assessment of, and statewide and regional thermal workforce characteristics capable of meeting consumer demand and towards meeting the obligations of the GWSA and 10 V.S.A. 578;
 - (B) the development of a three-year plan and associated proposed budget by the default delivery agent to be informed by the final results of the Department's potential study. The DDA may propose a portion of its budget towards promotion and market uplift, workforce development, and trainings for clean heat measures; these activities shall be eligible for earning a proportional share of clean heat credits pursuant to 8127 (b); and
- (BIZ)
- (g) Specific programs. The default delivery agent shall create specific programs for multiunit dwellings, condo associations, renters, and for manufactured homes, and commercial and industrial customers so these groups have an equal-equitable opportunity to benefit from the Clean Heat Standard.

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D(3) (1) An obligated party shall meet its annual requirement through a designated default delivery agent appointed by the Commission. However, the obligated party may be approved by the Commission to meet its requirement, in whole or in part, through one or more for the following ways: by delivering eligible clean heat measures, contracting for delivery of eligible clean heat measures, or

through the market purchase of clean heat credits.

(2) The Commission shall provide a form for an obligated party to indicate how it intends to meet its requirement. The form shall require sufficient information to determine the nature of the credits that the default delivery agent will be responsible to deliver on behalf of the obligated party. If the Commission approves of a plan for an obligated party to meet its obligation through a mechanism other than payment to a designated default delivery agent, then the Commission shall make such approvals known to the default delivery agent as soon as practicable.

(3) The Commission shall by rule or order establish a standard timeline under which the default delivery agent credit cost or costs are established and by which an obligated party must file its election form. The default delivery agents schedule of costs shall include sufficient costs to deliver installed measures and shall specify separately the costs to deliver measures to customers with low income and customers with moderate income as required by subsection 8124 (d) of this title. The Commission shall provide not less than 120 days' notice of default delivery agent credit cost or costs prior to the deadline for an obligated party to file its election form so an obligated party can assess options and inform the Commission of its intent to procure credits in whole or in part as fulfillment of its requirement.

(4) The default delivery agent shall deliver creditable clean heat measures either directly or indirectly to end-use customer locations in Vermont sufficient to meet the total aggregated annual requirement assigned to it pursuant to this subsection, along with any additional amount achievable through noncompliance payments as described in subdivision 8124(f)(2) of this title. Clean heat credits generated through installed measures delivered by the default delivery agent on behalf of an obligated party the are creditable in future years but not required to meet the obligated party's existing obligations shall be owned by the obligated party.

- 8127 Credits Pg 22 (BIZ)

(d) List of eligible measures. Eligible clean heat measures delivered to or installed in Vermont may include:

- (1) residential, commercial, industrial thermal energy efficiency improvements and weatherization;
- (2) cold-climate air, ground source, and other heat pumps, including district, network, grid, microgrid, and building geothermal systems;
- (3) heat pump water heaters;
- (4) utility-controlled electric water heaters;
- (5) solar hot water systems;
- (6) residential, commercial, industrial electric appliances providing thermal end

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uses;

- (7) advanced wood heating;
- (8) non combustion or renewable energy-based district heating services;
- (9) the supply of sustainably sourced biofuels;
- (10) the supply of green hydrogen; and
- (11) the replacement of a manufactured home with a high efficiency manufactured homes

(12) line extensions that connect residential, commercial or industrial facilities with thermal loads to the grid (rural)

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Pg 25 § 8127. TRADEABLE CLEAN HEAT CREDITS **(BIZ and VHFA and AG)**

(h) Review of consequences. The Commission shall biennially assess harmful consequences that may arise in Vermont or elsewhere from the implementation of specific types of clean heat measures and shall set standards or limits to prevent those consequences. Such consequences shall include deforestation, conversion of grasslands, damage to watersheds, or the creation of new methane to meet fuel demand.

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(g) 2 (2) For each fuel pathway, the schedule shall account for greenhouse gas emissions from biogenic and geologic sources, including fugitive emissions and loss of stored carbon. In determining the baseline emission rates for clean heat measures that are fuels, emissions baselines shall fully account for methane emissions reductions or captures already occurring, or expected to occur, for each fuel pathway as a result of local, State, or federal ~~policies-legal~~ requirements that have been enacted or adopted that reduce greenhouse gas emissions.

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• Sec. 6. PUBLIC UTILITY COMMISSION IMPLEMENTATION **(KL)**

• (b) Facilitator. The Commission shall hire a third-party consultant with expertise in equity, justice, and diversity to design and conduct public engagement. The Commission and the Facilitator shall incorporate the Guiding Principles for a Just Transition into the public engagement process. The Commission may use funds appropriated under this act on hiring the consultant. Public engagement shall be conducted by the facilitator for the purposes of:

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• Sec. 6. PUBLIC UTILITY COMMISSION IMPLEMENTATION **(BIZ)**

• (f) (2) 2) Notwithstanding 3 V.S.A. §§ 820, 831, 836–840, and 841(a), upon affirmative authorization enacted by the General Assembly authorizing the adoption of rules implementing the Clean Heat Standard,

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the Commission shall file, as the final proposed rule, the rules implementing the Clean Heat Standard approved by the General Assembly with the Secretary of State and Legislative Committee on Administrative Rules pursuant to 3 V.S.A. § 841. The filing shall include everything that is required under 3 V.S.A. §§ 838(a)(1)–(5), (8)–(13), (15), and (16), (b) (c)-and 841(b)(1).

(i) Check-back reports. On or before February 15, 2024 and January 15, 2025, the Commission shall submit a written report to and be available to provide oral testimony to the House Committee on Environment and Energy, on Commerce and Economic Development and on Ways and Means and the Senate Committees on Finance and on Natural Resources and Energy detailing the efforts undertaken to establish the Clean Heat Standard. The reports shall include, to the extent available, estimates of the impact of the Clean Heat Standard on customers, including impacts to customer rates and fuel bills for participating and nonparticipating customers, net impacts on total spending on energy for thermal sector end uses, fossil fuel reductions, greenhouse gas emission reductions, and, if possible, impacts on economic activity and employment. The modeled impacts shall estimate high-, medium-, and low-price impacts. The reports shall recommend any legislative action needed to address enforcement or other aspects of the Clean Heat Standard.

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