

H.715 -An act relating to the Clean Heat Standard
Side by Side
3 May 2022

Section		As Passed by House	As Passed by Senate
Sec. 1	Findings		No change
Sec. 2	30 V.S.A. chapter 94		
	§ 8121	<p style="text-align: center;">* * *</p> <p>(d) The Public Utility Commission shall <u>issue orders and may also adopt rules</u> to design and implement the Clean Heat Standard.</p>	<p style="text-align: center;">* * *</p> <p>(d) The Public Utility Commission shall <u>adopt rules and may issue orders</u> to design and implement the Clean Heat Standard.</p>
	§ 8122 Definitions		<p>(9) “Energy burden” means the annual spending on thermal energy as a percentage of household income.</p>
	§ 8123 Clean Heat Standard Compliance	<p>(a) <u>Required amounts.</u></p> <p style="text-align: center;">* * *</p> <p>(3) <u>The Commission may adjust the annual requirements for good cause after 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. Any downward adjustment shall be allowed for only a short, temporary period.</u></p> <p style="text-align: center;">* * *</p> <p>(d) <u>Equitable distribution of clean heat measures.</u></p> <p>(2) <u>A substantial portion of clean heat credits retired by each obligated party shall be sourced from clean heat measures delivered to low-income and moderate-income customers. The portion of each obligated party’s required amount needed to satisfy the annual Clean Heat Standard requirement shall be at least 16 percent from low-income customers and 16 percent</u></p>	<p>(a) <u>Required amounts.</u></p> <p style="text-align: center;">* * *</p> <p>(3) <u>The Commission may adjust the annual requirements for good cause after 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. Any downward adjustment shall be allowed for only a short, specified period.</u></p> <p style="text-align: center;">* * *</p> <p>(d) <u>Equitable distribution of clean heat measures.</u></p> <p>(2) <u>A substantial portion of clean heat credits retired by each obligated party shall be sourced from clean heat measures delivered to low-income and moderate-income customers. The portion of each obligated party’s required amount needed to satisfy the annual Clean Heat Standard requirement shall be at least 16 percent from low-income customers and 16 percent</u></p>

from moderate-income customers. The definitions of low-income customer and moderate-income customer shall be set by the Commission in consultation with equity stakeholders and in alignment with other existing definitions. The Commission may consider frontloading the credit requirements for low-income and moderate-income customers so that the greatest proportion of clean heat measures reach low-income and moderate-income Vermonters in the earlier years. In order to best serve low-income and moderate-income customers, the Commission shall have authority to change these portions and the criteria used to define low-income and moderate-income customers for good cause, after notice and opportunity for public process.

(3) A clean heat measure delivered to a customer qualifying for a government-sponsored, low-income energy subsidy shall qualify for clean heat credits required by subdivision (2) of this section.

* * *

(f) Default delivery agent.

(2) The Commission shall designate the default delivery agent. The default delivery agent shall be a single statewide entity capable of providing a variety of clean heat measures and hired for a multiyear period through a competitive procurement process. The entity selected as the default delivery agent may also be a market participant.

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(i) Reports.

from moderate-income customers. The definitions of low-income customer and moderate-income customer shall be set by the Commission in consultation with the Equity Advisory Group and in alignment with other existing definitions.

(3) The Commission may consider frontloading the credit requirements for low-income and moderate-income customers so that the greatest proportion of clean heat measures reach low-income and moderate-income Vermonters in the earlier years.

(4) In order to best serve low-income and moderate-income customers, the Commission shall have authority to change these portions and the criteria used to define low-income and moderate-income customers for good cause, after notice and opportunity for public process.

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

(6) A clean heat measure delivered to a customer qualifying for a government-sponsored, low-income energy subsidy shall qualify for clean heat credits required by subdivision (2) of this subsection.

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(f) Default delivery agent.

(2) The Commission shall designate the default delivery agent. The default delivery agent shall be a single statewide entity capable of providing a variety of clean heat measures and contracted for a multiyear period through a competitive procurement process. The entity selected as the default delivery agent may also be a market participant but shall not be an obligated party.

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(i) Reports.

		<p>(2) After the adoption of the order implementing this chapter, the Commission shall submit a written report to the standing committees detailing the efforts undertaken to establish the Clean Heat Standard pursuant to this chapter.</p> <p>(3) On or before August 31 of each year following the year in which the order is first adopted under this section, the Commission shall submit to the standing committees a written report detailing the implementation and operation of the Clean Heat Standard. This report shall include an assessment on the equitable adoption of clean heat measures required by subsection (d) of this section, along with recommendations to increase participation for the households with the highest energy burdens. The provisions of 2 V.S.A. § 20(d) (expiration of required reports) shall not apply to the report to be made under this subsection.</p>	<p>(2) After the adoption of the rules implementing this chapter, the Commission shall submit a written report to the standing committees detailing the efforts undertaken to establish the Clean Heat Standard pursuant to this chapter.</p> <p>(3) On or before August 31 of each year following the year in which the rules are first adopted under this section, the Commission shall submit to the standing committees a written report detailing the implementation and operation of the Clean Heat Standard. This report shall include an assessment on the equitable adoption of clean heat measures required by subsection (d) of this section, along with recommendations to increase participation for the households with the highest energy burdens. The provisions of 2 V.S.A. § 20(d) (expiration of required reports) shall not apply to the report to be made under this subsection.</p>
	<p>§ 8124 Tradeable Clean Heat Credits</p>	<p style="text-align: center;">* * *</p> <p>(b) Clean heat credits shall be based on the lifecycle CO2e emission reductions that result from the delivery of eligible clean heat measures to end-use customer locations in or into Vermont. Eligible clean heat measures delivered to or installed in Vermont shall include:</p> <p>(1) thermal energy efficiency improvements and weatherization;</p> <p>(2) the supply of sustainably sourced biofuels;</p> <p>(3) renewable natural gas and low-emission advanced gases;</p> <p>(4) the installation of cold-climate heat pumps and efficient electric appliances providing thermal end-uses;</p> <p>(5) advanced wood heating appliances and systems; and</p> <p>(6) renewable energy-based district heating services.</p>	<p style="text-align: center;">* * *</p> <p>(b) Clean heat credits shall be based on the lifecycle CO2e emission reductions that result from the delivery of eligible clean heat measures to end-use customer locations into or in Vermont. For clean heat measures that are installed, the value of the clean heat credits in each year shall be the lifecycle CO2e emissions of the heating fuel avoided by the installation of the measure, minus the lifecycle CO2e emissions of the energy that is used instead. Eligible clean heat measures delivered to or installed in Vermont shall include:</p> <p>(1) thermal energy efficiency improvements and weatherization;</p> <p>(2) the supply of sustainably sourced biofuels;</p> <p>(3) renewable natural gas;</p> <p>(4) green hydrogen;</p> <p>(5) cold-climate heat pumps and efficient electric appliances providing thermal end uses;</p> <p>(6) advanced wood heating; and</p>

		<p style="text-align: center;">* * *</p> <p><u>(d) To promote certainty for obligated parties and clean heat providers, the Commission shall, by rule or order, establish a schedule of lifecycle emission rates for heating fuels and eligible clean heat measures. The schedule shall be based on transparent and accurate emissions accounting adapting the Argonne National Laboratory GREET Model or an alternative of comparable analytical rigor to achieve the thermal sector greenhouse gas emissions reductions necessary in order to meet the sector’s share of the requirements of 10 V.S.A. § 578(a), and to deter substantial unintended harmful consequences. The schedule may be amended based upon changes in technology or evidence on emissions, but clean heat credits previously awarded shall not be adjusted retroactively.</u></p> <p style="text-align: center;">* * *</p> <p><u>(g) All eligible clean heat measures that are delivered in Vermont shall be eligible for clean heat credits and may be retired and count towards an obligated party’s emission reduction obligations, regardless of who creates or delivers them and regardless of whether their creation or delivery was required by other State policies and programs. This includes individual initiatives, emission reductions resulting from the State’s energy efficiency programs, the low-income weatherization program, and the Renewable Energy Standard Tier 3 program.</u></p>	<p><u>(7) renewable energy-based district heating services.</u></p> <p style="text-align: center;">* * *</p> <p><u>(d) To promote certainty for obligated parties and clean heat providers, the Commission shall, by rule or order, establish a schedule of lifecycle emission rates for heating fuels and eligible clean heat measures. The schedule shall be based on transparent and accurate emissions accounting adapting the Argonne National Laboratory GREET Model, Intergovernmental Panel on Climate Change (IPCC) modeling, or an alternative of comparable analytical rigor to achieve the thermal sector greenhouse gas emissions reductions necessary in order to meet the sector’s share of the requirements of 10 V.S.A. § 578(a), to accurately account for emissions from biogenic and geologic sources, and to deter substantial unintended harmful consequences. The schedule may be amended based upon changes in technology or evidence on emissions, but clean heat credits previously awarded shall not be adjusted retroactively.</u></p> <p style="text-align: center;">* * *</p> <p><u>(g)(1) All eligible clean heat measures that are delivered in Vermont shall be eligible for clean heat credits and may be retired and count towards an obligated party’s emission reduction obligations, regardless of who creates or delivers them and regardless of whether their creation or delivery was required by other State policies and programs. This includes individual initiatives, emission reductions resulting from the State’s energy efficiency programs, the low-income weatherization program, and the Renewable Energy Standard Tier 3 program.</u></p> <p><u>(2) The Commission shall determine whether the total value of a clean heat credit for an installed measure shall be claimed in the year it is installed or whether the</u></p>
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			<p>annual value of that credit shall be applied each year of the measure's life.</p> <p>(3) The Commission shall determine whether to require a certain portion of clean heat credits be acquired each year from weatherization projects in order to further the State's building efficiency goals. The Commission shall recommend legislative changes, if needed, to accomplish this.</p>
	<p>§ 8125 Clean Heat Standard Technical Advisory Group</p>	<p>(a) The Commission shall establish the Clean Heat Standard Technical Advisory Group to assist the Commission in the ongoing management of the Clean Heat Standard. Its duties shall include:</p> <p style="text-align: center;">* * *</p> <p>(3) assessing the sustainability of the production of clean heat measures;</p> <p style="text-align: center;">* * *</p> <p>(8) coordinating with the Agency of Natural Resources to ensure that greenhouse gas emissions reductions achieved in another sector through the implementation of the Clean Heat Standard are not double-counted in the Vermont Greenhouse Gas Emissions Inventory and Forecast produced by the Agency of Natural Resources pursuant to 10 V.S.A. § 582;</p> <p style="text-align: center;">* * *</p>	<p>(a) The Commission shall establish the Clean Heat Standard Technical Advisory Group (TAG) to assist the Commission in the ongoing management of the Clean Heat Standard. Its duties shall include:</p> <p style="text-align: center;">* * *</p> <p>(3) periodically assessing and reporting to the Commission on the sustainability of the production of clean heat measures by considering factors including greenhouse gas emissions; carbon sequestration and storage; human health; land use changes; ecological and biodiversity impacts; groundwater and surface water impacts; air, water, and soil pollution; and impacts on food costs;</p> <p style="text-align: center;">* * *</p> <p>(8) coordinating with the Agency of Natural Resources to ensure that greenhouse gas emissions reductions achieved in another sector through the implementation of the Clean Heat Standard are not double-counted in the Vermont Greenhouse Gas Emissions Inventory and Forecast produced by the Agency of Natural Resources;</p> <p style="text-align: center;">* * *</p>

		<p>(b) Members of the Clean Heat Standard Technical Advisory Group shall be appointed by the Commission and <u>at a minimum</u> shall include at least one representative from each of the following groups: <u>the obligated parties</u>, the Department of Public Service, the Department of Environmental Conservation, <u>Efficiency Vermont</u>, the electric utilities, and <u>environmental organizations</u>. Members who are not otherwise compensated by their employer shall be entitled to per diem compensation and reimbursement for expenses under 32 V.S.A. § 1010.</p>	<p>(b) Members of the <u>TAG</u> shall be appointed by the Commission and shall include the Department of Public Service, the <u>Agency of Natural Resources</u>, and <u>parties who have, or whose representatives have, expertise in one or more of the following areas: technical and analytical expertise in measuring lifecycle greenhouse gas emissions; energy modeling and data analysis; clean heat measures and energy technologies; sustainability and non-greenhouse gas emissions strategies designed to reduce and avoid impacts to the environment; delivery of heating fuels in cold climates; and climate change mitigation policy and law.</u> The Commission shall accept and review motions to join the TAG from interested parties who have, or whose representatives have, expertise in one or more of the areas listed in this subsection. Members who are not otherwise compensated by their employer shall be entitled to per diem compensation and reimbursement for expenses under 32 V.S.A. § 1010.</p>
	<p>§ 8126 Clean Heat Standard Equity Advisory Group</p>	<p>(a) ... Its duties shall include: * * *</p> <p>(4) <u>recommending any additional programs, incentives, or funding needed to support low-income and moderate-income customers, and organizations that provide social services to Vermonters, in affording heating fuel and other heating expenses; and</u></p> <p>(5) <u>providing feedback to the Commission on the impact of the Clean Heat Standard on the everyday experience of low-income and moderate-income Vermonters.</u></p>	<p>(a) ... Its duties shall include: * * *</p> <p>(4) <u>assisting the Commission in defining low-income and moderate-income customers;</u></p> <p>(5) <u>recommending any additional programs, incentives, or funding needed to support low-income and moderate-income customers, and organizations that provide social services to Vermonters, in affording heating fuel and other heating expenses;</u></p> <p>(6) <u>providing feedback to the Commission on the impact of the Clean Heat Standard on the everyday experience of low-income and moderate-income Vermonters; and</u></p> <p>(7) <u>providing information to the Commission on the challenges renters face in being equitably served by clean heat measures and recommendations to ensure that renters have equitable access to clean heat measures.</u></p>

	§ 8127 Severability		<u>If any provision of this chapter or its application to any person or circumstance is held invalid or in violation of the Constitution or laws of the United States or in violation of the Constitution or laws of Vermont, the invalidity or the violation shall not affect other provisions of this chapter that can be given effect without the invalid provision or application, and to this end, the provisions of this chapter are severable.</u>
	§ 8128 Intent		<u>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), minimizes costs to customers, and recognizes that affordable heating is essential for Vermonters. It shall minimize adverse impacts to low-income and moderate-income customers and those households with the highest energy burdens.</u>
	§ 8129 Rulemaking Authority		<u>Notwithstanding any other provision of law to the contrary, the Commission shall not file proposed rules with the Secretary of State or issue any orders implementing the Clean Heat Standard without specific authorization enacted by the General Assembly.</u>
Sec. 3	Implementation	<p><u>(a) Commencement. On or before August 31, 2022, the Public Utility Commission shall commence a proceeding to implement Sec. 2 (Clean Heat Standard) of this act.</u></p> <p style="text-align: center;">* * *</p> <p><u>(c) Public engagement process. The Commission shall use the forms of public engagement described in</u></p>	<p><u>(a) Commencement.</u></p> <p><u>(1) On or before August 31, 2022, the Public Utility Commission shall commence a proceeding to implement Sec. 2 (Clean Heat Standard) of this act.</u></p> <p><u>(2) On or before October 1, 2023, the Commission shall submit to the General Assembly an interim report on the development of the Clean Heat Standard.</u></p> <p style="text-align: center;">* * *</p> <p><u>(c) Public engagement process. Before commencing rulemaking, the Commission shall use the forms of</u></p>

this subsection to inform the design and implementation of the Clean Heat Standard.

(1) The Commission shall hold at least six hybrid public meetings that allow members of the public to participate in person and remotely. The meetings shall be held in at least six different regions of the State. The meetings shall be recorded and publicly posted on the Commission's website.

(2) In order to receive focused feedback from specific constituents, the Commission, with the assistance of the consultant, shall also hold at least four meetings using deliberative polling. The facilitator shall assist the Commission in developing a format for using deliberative polling at the meetings. Each of these meetings shall focus on seeking input from a specific group, including heating fuel dealers; low-income, moderate-income, and fixed-income customers and advocates; and customers who use large amounts of heating fuel.

(3) The Commission shall hold at least two workshops to solicit the input of potentially affected parties. The Commission shall provide notice of the workshops on its website and directly to the Department of Public Service, Vermont's fuel wholesalers and retail fuel suppliers, renewable energy advocates, environmental and consumer advocacy organizations, organizations that serve low- and moderate-income Vermonters, organizations that serve older Vermonters, entities that provide weatherization services, energy transition providers, regional planning commissions, municipal energy commissions, community action agencies, environmental justice organizations, financial

public engagement described in this subsection to inform the design and implementation of the Clean Heat Standard. Any failure by the Commission to meet the specific procedural requirements of this section shall not affect the validity of the Commission's actions.

(1) The Commission shall hold at least six public meetings and of those meetings three shall allow members of the public to participate in person and remotely. The meetings shall be held in at least six different geographically diverse counties of the State. The meetings shall be recorded and publicly posted on the Commission's website.

(2) In order to receive focused feedback from specific constituents, the Commission, with the assistance of the consultant, may also hold at least four meetings using deliberative polling or another method of receiving focused feedback from specific constituents. The facilitator shall assist the Commission in developing a format for soliciting feedback at the meetings. Each of these meetings shall focus on seeking input from a specific group, including heating fuel dealers; low-income, moderate-income, and fixed-income customers and advocates; and customers who use large amounts of heating fuel.

(3) The Commission shall hold at least two workshops to solicit the input of potentially affected parties. To reach as many potentially interested entities as possible, such as Vermont's fuel wholesalers and retail fuel suppliers, renewable energy advocacy organizations, environmental and consumer advocacy organizations, organizations that specialize in serving low- and moderate-income Vermonters, organizations that specialize in serving older Vermonters, entities that provide weatherization services, energy transition providers, regional planning commissions, municipal energy commissions, community action agencies, environmental justice organizations, financial

institutions with experience implementing low-income financing programs, affordable housing advocates, the Office of Economic Opportunity, the regional development corporations, and to any other person that requests direct notice or to whom the Commission may consider direct notice appropriate. The Commission also shall provide an opportunity for submission of written comments, which the notice shall include.

(d) Draft order. The Commission shall publicly publish a draft order and provide notice of it to the stakeholders who participated in the workshops. The Commission shall provide a 30-day comment period on the draft and accept written comments from the public and stakeholders. The Commissions shall incorporate necessary changes in response to the public comments before adopting the final order.

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(f) Order. On or before July 1, 2024, the Commission shall issue an order to take effect on January 1, 2025 that initially implements Sec. 2 (Clean Heat Standard) of this act.

institutions that specialize in implementing low-income financing programs, affordable housing advocates, the Office of Economic Opportunity, and regional development corporations, the Commission shall provide notice of the workshops on its website, shall publish the notice once in a newspaper of general circulation in each county of Vermont, and shall also provide direct notice to any person that requests direct notice or to whom the Commission may consider direct notice appropriate. The Commission also shall provide an opportunity for submission of written comments, which the notice shall include.

(d) Draft proposed rules. The Commission shall publicly publish draft proposed rules and provide notice of it to the stakeholders who registered their names and e-mail addresses with the Commission during the workshops. The Commission shall provide a 30-day comment period on the draft and accept written comments from the public and stakeholders. The Commission shall incorporate necessary changes in response to the public comments before filing the proposed rules with the Secretary of State and the Legislative Committee on Rules.

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(f) Final rules.
(1) On or before January 15, 2024, the Commission shall submit to the General Assembly final proposed rules to implement the Clean Heat Standard. The Commission shall not file the final proposed rules with the Secretary of State until specific authorization is enacted by the General Assembly to do so.

(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, the Commission shall file, as the final proposed rule, the

		<p style="text-align: center;">* * *</p> <p>(i) <u>Reports. On or before January 15, 2023 and January 15, 2024, the Commission shall submit a written report and hold hearings with the House Committees on Energy and Technology and on Natural Resources, Fish, and Wildlife and to the Senate Committees on Finance and on Natural Resources and Energy detailing the efforts undertaken to establish the Clean Heat Standard pursuant to this chapter and, to the extent available, estimates of the impact of the Clean Heat Standard on customers, including impacts to customer rates and fuel bills.</u></p>	<p><u>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) and 841(b)(1).</u></p> <p><u>(3) The review, adoption, and effect of the rules implementing the Clean Heat Standard shall be governed by 3 V.S.A. §§ 841(c); 842, exclusive of subdivision (b)(4); 843; 845; and 846, exclusive of subdivision (a)(3).</u></p> <p><u>(4) Once adopted and effective, any amendments to the rules implementing the Clean Heat Standard shall be made in accordance with the Administrative Procedure Act, 3 V.S.A. chapter 25.</u></p> <p style="text-align: center;">* * *</p> <p><u>(i) Check-back reports.</u></p> <p><u>(1) On or before February 15, 2023 and January 15, 2024, the Commission shall submit a written report to and be available to provide oral testimony to the House Committees on Energy and Technology and on Natural Resources, Fish, and Wildlife 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. In conducting this analysis, the Commission shall incorporate the social cost of carbon as established by the Vermont Climate Council, take into account the economic modeling conducted in the Vermont Pathways Analysis Report 2.0, and consider</u></p>
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			<p><u>the potential costs of delaying action to achieve the requirements of 10 V.S.A. § 578(a). The modeled impacts shall estimate high-, medium-, and low-price impacts. The reports shall recommend any legislative action needed to address enforcement of the Clean Heat Standard.</u></p> <p><u>(2) Based on the information regarding projected costs and benefits, the Commission shall recommend cost-containment mechanisms to be included in statute.</u></p> <p><u>(3) Upon receiving the recommendations regarding cost-containment mechanisms provided by the Commission, the General Assembly shall determine whether to enact legislation adopting the Commission's recommendations.</u></p>
Sec. 4	Appropriations	<p>(a) 3 staff for PUC; (b) \$600,000 for PUC (c) 3 staff for DPS (d) \$600,000 for DPS</p>	No change
Sec. 5	Sectoral Proportionality Report	Report due November 15, 2023	No change
Sec. 6	Effective Date	On passage	No change