

1 TO THE HONORABLE SENATE:

2 The Committee on Natural Resources and Energy to which was referred
3 House Bill No. 715 entitled “An act relating to the Clean Heat Standard”
4 respectfully reports that it has considered the same and recommends that the
5 Senate propose to the House that the bill be amended by striking out all after
6 the enacting clause and inserting in lieu thereof the following:

7 Sec. 1. FINDINGS

8 The General Assembly finds:

9 (1) All of the legislative findings made in 2020 Acts and Resolves
10 No. 153, Sec. 2, the Vermont Global Warming Solutions Act of 2020, remain
11 true and are incorporated by reference here.

12 (2) Under the Vermont Global Warming Solutions Act of 2020 and
13 10 V.S.A. § 578, Vermont has a legal obligation to reduce greenhouse gas
14 emissions to specific levels by 2025, 2030, and 2050.

15 (3) The Vermont Climate Council was established under the Vermont
16 Global Warming Solutions Act of 2020 and was tasked with, among other
17 things, recommending necessary legislation to reduce greenhouse gas
18 emissions. The Initial Vermont Climate Action Plan calls for the General
19 Assembly to adopt legislation authorizing the Public Utility Commission to
20 administer the Clean Heat Standard consistent with the recommendations of
21 the Energy Action Network’s Clean Heat Standard Working Group.

1 (4) As required by the Vermont Global Warming Solutions Act of 2020,
2 the Vermont Climate Council published the Initial Vermont Climate Action
3 Plan on December 1, 2021. As noted in that plan, over one-third of Vermont’s
4 greenhouse gas emissions come from the thermal sector. Approximately
5 72 percent of Vermont’s thermal energy use is fossil-based, including
6 43 percent from the combustion of fossil gas and propane and 29 percent from
7 the burning of heating oil.

8 (5) To meet the greenhouse gas emission reductions required by the
9 Vermont Global Warming Solutions Act of 2020, Vermont needs to transition
10 away from its current carbon-intensive building heating practices to lower-
11 carbon alternatives. It also needs to do this equitably, recognizing economic
12 effects on energy users, especially energy-burdened users; on the workforce
13 currently providing these services; and on the overall economy.

14 Sec. 2. 30 V.S.A. chapter 94 is added to read:

15 CHAPTER 94. CLEAN HEAT STANDARD

16 § 8121. CLEAN HEAT STANDARD

17 (a) The Clean Heat Standard is established. Under this program, obligated
18 parties shall reduce greenhouse gas emissions attributable to the Vermont
19 thermal sector by retiring required amounts of clean heat credits to meet the
20 thermal sector portion of the greenhouse gas emission reduction obligations of
21 the Global Warming Solutions Act.

1 (b) By rule or order, the Commission shall establish or adopt a system of
2 tradeable clean heat credits earned from the delivery of clean heat measures
3 that reduce greenhouse gas emissions.

4 (c) An obligated party may obtain the required amount of clean heat credits
5 through delivery of eligible clean heat measures, through contracts for delivery
6 of eligible clean heat measures, through the market purchase of clean heat
7 credits, or through delivery of eligible clean heat measures by a designated
8 statewide default delivery agent.

9 (d) The Public Utility Commission shall adopt rules and may issue orders
10 to design and implement the Clean Heat Standard.

11 § 8122. DEFINITIONS

12 As used in this chapter:

13 (1) “Clean heat credit” means a tradeable, non-tangible commodity that
14 represents the amount of greenhouse gas reduction caused by a clean heat
15 measure. The Commission shall establish a system of recognition for clean
16 heat credits pursuant to this chapter.

17 (2) “Clean heat measure” means fuel and technologies delivered and
18 installed to end-use customers in Vermont that reduce greenhouse gas
19 emissions. Clean heat measures shall not include switching from one fossil
20 fuel use to another fossil fuel use. The Commission may adopt a list of
21 acceptable actions that qualify as clean heat measures.

1 (3) “Commission” means the Public Utility Commission.

2 (4) “Default delivery agent” means the entity designated by the
3 Commission to provide services that generate tradeable clean heat credits.

4 (5) “Entity” means any individual, trustee, agency, partnership,
5 association, corporation, company, municipality, political subdivision, or any
6 other form of organization.

7 (6) “Heating fuel” means fossil-based heating fuel, including oil,
8 propane, natural gas, coal, and kerosene.

9 (7) “Obligated party” means:

10 (A) a regulated natural gas utility serving customers in Vermont; or

11 (B) for other heating fuels, the entity that makes the first sale of the
12 heating fuel into or in the State for consumption within the State.

13 (8) “Thermal sector” has the same meaning as the “Residential,
14 Commercial and Industrial Fuel Use” sector as used in the Vermont
15 Greenhouse Gas Emissions Inventory and Forecast.

16 § 8123. CLEAN HEAT STANDARD COMPLIANCE

17 (a) Required amounts.

18 (1) The Commission shall establish the number of clean heat credits that
19 each obligated party is required to retire each calendar year. The size of the
20 annual requirement shall be set at a pace sufficient for Vermont’s thermal
21 sector to achieve lifecycle carbon dioxide equivalent (CO₂e) emission

1 reductions consistent with the requirements of 10 V.S.A. § 578(a) expressed as
2 lifecycle greenhouse gas emissions pursuant to subsection 8124(d) of this title.

3 (2) Annual requirements shall be expressed as a percent of each
4 obligated party's contribution to the thermal sector's lifecycle CO2e emissions
5 in the previous year with the annual percentages being the same for all parties.
6 To ensure understanding among obligated parties, the Commission shall, in a
7 timely manner, publicly provide a description of the annual requirements in
8 plain terms.

9 (3) The Commission may adjust the annual requirements for good cause
10 after notice and opportunity for public process. Good cause may include a
11 shortage of clean heat credits or undue adverse financial impacts on particular
12 customers or demographic segments. Any downward adjustment shall be
13 allowed for only a short, temporary period.

14 (4) To support the ability of the obligated parties to plan for the future,
15 the Commission shall establish annual clean heat credit requirements for
16 10 years with the required amounts being updated so 10 years' worth of
17 requirements are always available. Every three years, the Commission shall
18 extend the requirements three years, shall assess emission reductions actually
19 achieved in the thermal sector, and, if necessary, revise the pace of clean heat
20 credit requirements for future years to ensure that the thermal sector portion of

1 the emission reduction requirements of 10 V.S.A. § 578(a) for 2030 and 2050
2 will be achieved.

3 (b) Annual registration.

4 (1) Each entity that sells heating fuel into or in Vermont shall register
5 annually with the Commission by an annual deadline established by the
6 Commission. The form and information required in the registration shall be
7 determined by the Commission and shall include all data necessary to establish
8 annual requirements under this chapter. The Commission shall use the
9 information provided in the registration to determine whether the entity shall
10 be considered an obligated party and the amount of its annual requirement.

11 (2) At a minimum, the Commission shall require registration
12 information to include legal name, doing business as name if applicable,
13 municipality, state, type of heating fuel sold, and the volume of sales of
14 heating fuels into or in the State for final sale or consumption in the State in
15 the calendar year immediately preceding the calendar year in which the entity
16 is registering with the Commission.

17 (3) Each year, and not later than 30 days following the annual
18 registration deadline established by the Commission, the Commission shall
19 share complete registration information of obligated parties with the Agency of
20 Natural Resources and the Department of Public Service for purposes of

1 conducting the Vermont Greenhouse Gas Emissions Inventory and Forecast
2 and meeting the requirements of 10 V.S.A. § 591(b)(3).

3 (4) The Commission shall maintain, and update annually, a list of
4 registered entities on its website that contains the required registration
5 information, except that the public list shall not include heating fuel volumes
6 reported.

7 (5) For any entity not registered, the first registration form shall be due
8 30 days after the first sale of heating fuel to a location in Vermont.

9 (6) Clean heat requirements shall transfer to entities that acquire an
10 obligated party.

11 (c) Early action credits. Beginning on January 1, 2022, clean heat
12 measures that are installed and provide emission reductions are creditable and
13 therefore count towards the future clean heat credit requirements of an
14 obligated party. Upon the establishment of the clean heat credit system,
15 entities may register credits for actions taken starting in 2022.

16 (d) Equitable distribution of clean heat measures.

17 (1) The Clean Heat Standard shall be designed and implemented to
18 enhance social equity by minimizing adverse impacts to low-income and
19 moderate-income customers and those households with the highest energy
20 burdens. The design shall ensure all customers have an equitable opportunity

1 to participate in, and benefit from, clean heat measures regardless of heating
2 fuel used, income level, geographic location, or homeownership status.

3 (2) A substantial portion of clean heat credits retired by each obligated
4 party shall be sourced from clean heat measures delivered to low-income and
5 moderate-income customers. The portion of each obligated party's required
6 amount needed to satisfy the annual Clean Heat Standard requirement shall be
7 at least 16 percent from low-income customers and 16 percent from moderate-
8 income customers. The definitions of low-income customer and moderate-
9 income customer shall be set by the Commission in consultation with the
10 Equity Advisory Group and in alignment with other existing definitions.

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

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

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

1 government-sponsored low-income and moderate-income weatherization
2 programs.

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

6 (e) Credit banking. The Commission shall allow an obligated party that
7 has met its annual requirement in a given year to retain clean heat credits in
8 excess of that amount for future sale or application to the obligated party's
9 annual requirements in future compliance periods as determined by the
10 Commission.

11 (f) Default delivery agent.

12 (1) An obligated party may meet its annual requirement through a
13 designated default delivery agent appointed by the Commission. The default
14 delivery agent shall deliver creditable clean heat measures to Vermont homes
15 and businesses when:

16 (A) an obligated party chooses to assign its annual requirement to the
17 default delivery agent; or

18 (B) an obligated party fails to produce or acquire its required amount
19 of clean heat credits.

20 (2) The Commission shall designate the default delivery agent. The
21 default delivery agent shall be a single statewide entity capable of providing a

1 variety of clean heat measures and contracted for a multiyear period through a
2 competitive procurement process. The entity selected as the default delivery
3 agent may also be a market participant but shall not be an obligated party.

4 (3) By rule or order, the Commission shall adopt annually the cost per
5 clean heat credit to be paid to the default delivery agent by an obligated party
6 that chooses this option. In adjusting the default delivery agent credit cost, the
7 Commission shall consider the default delivery agent’s anticipated costs to
8 deliver clean heat measures and costs borne by customers, among other factors
9 determined by the Commission. Changes to the cost of credits shall take effect
10 not less than 180 days after adopted.

11 (4) All funds received from noncompliance payments pursuant to
12 subdivision (g)(2) of this section shall be used by the default delivery agent to
13 provide clean heat measures to low-income customers.

14 (g) Enforcement.

15 (1) The Commission shall have the authority to enforce the requirements
16 of this chapter and any rules or orders adopted to implement the provisions of
17 this chapter. The Commission may use its existing authority under this title.
18 As part of an enforcement order, the Commission may order penalties and
19 injunctive relief.

20 (2) The Commission may order an obligated party that fails to retire the
21 number of clean heat credits required in a given year, including the required

1 amounts from low-income and moderate-income customers, to make a
2 noncompliance payment to the default delivery agent. The per-credit amount
3 of the noncompliance payment shall be three times the amount established by
4 the Commission under subsection (f) of this section for timely per-credit
5 payments to the default delivery agent.

6 (3) Any statements or other representations made by obligated parties
7 related to compliance with the Clean Heat Standard are subject to the
8 Commission’s enforcement authority, including the power to investigate and
9 assess penalties, under this title.

10 (h) Records. The Commission shall establish requirements for the types of
11 records to be submitted by obligated parties, a record retention schedule for
12 required records, and a process for verification of records and data submitted in
13 compliance with the requirements of this chapter.

14 (i) Reports.

15 (1) For purposes of this subsection, “standing committees” means the
16 House Committees on Energy and Technology and on Natural Resources, Fish,
17 and Wildlife and the Senate Committees on Finance and on Natural Resources
18 and Energy.

19 (2) After the adoption of the rules implementing this chapter, the
20 Commission shall submit a written report to the standing committees detailing

1 the efforts undertaken to establish the Clean Heat Standard pursuant to this
2 chapter.

3 (3) On or before August 31 of each year following the year in which the
4 rules are first adopted under this section, the Commission shall submit to the
5 standing committees a written report detailing the implementation and
6 operation of the Clean Heat Standard. This report shall include an assessment
7 on the equitable adoption of clean heat measures required by subsection (d) of
8 this section, along with recommendations to increase participation for the
9 households with the highest energy burdens. The provisions of 2 V.S.A.
10 § 20(d) (expiration of required reports) shall not apply to the report to be made
11 under this subsection.

12 § 8124. TRADEABLE CLEAN HEAT CREDITS

13 (a) By rule or order, the Commission shall establish or adopt a system of
14 tradeable clean heat credits that may be earned by reducing greenhouse gas
15 emissions through the delivery of clean heat measures. While credit
16 denominations may be in simple terms for public understanding and ease of
17 use, the underlying value shall be based on units of carbon dioxide equivalent
18 (CO₂e). The system shall provide a process for the recognition, approval, and
19 monitoring of the clean heat credits. The Department of Public Service shall
20 perform the verification of clean heat credit claims and submit results of the
21 verification and evaluation to the Commission annually.

1 (b) Clean heat credits shall be based on the lifecycle CO₂e emission
2 reductions that result from the delivery of eligible clean heat measures to end-
3 use customer locations into or in Vermont. For clean heat measures that are
4 installed, the value of the clean heat credits in each year shall be the lifecycle
5 CO₂e emissions of the heating fuel avoided by the installation of the measure,
6 minus the lifecycle CO₂e emissions of the energy that is used instead. Eligible
7 clean heat measures delivered to or installed in Vermont shall include:

8 (1) thermal energy efficiency improvements and weatherization;

9 (2) the supply of sustainably sourced biofuels;

10 (3) renewable natural gas;

11 (4) green hydrogen;

12 (5) cold-climate heat pumps and efficient electric appliances providing
13 thermal end uses;

14 (6) advanced wood heating; and

15 (7) renewable energy-based district heating services.

16 (c) For pipeline renewable natural gas and other renewably generated
17 natural gas substitutes to be eligible, an obligated party shall purchase
18 renewable natural gas and its associated renewable attributes and demonstrate
19 that it has secured a contractual pathway for the physical delivery of the gas
20 from the point of injection into the pipeline to the obligated party's delivery
21 system.

1 (d) To promote certainty for obligated parties and clean heat providers, the
2 Commission shall, by rule or order, establish a schedule of lifecycle emission
3 rates for heating fuels and eligible clean heat measures. The schedule shall be
4 based on transparent and accurate emissions accounting adapting the Argonne
5 National Laboratory GREET Model, Intergovernmental Panel on Climate
6 Change (IPCC) modeling, or an alternative of comparable analytical rigor to
7 achieve the thermal sector greenhouse gas emissions reductions necessary in
8 order to meet the sector’s share of the requirements of 10 V.S.A. § 578(a), to
9 accurately account for emissions from biogenic and geologic sources, and to
10 deter substantial unintended harmful consequences. The schedule may be
11 amended based upon changes in technology or evidence on emissions, but
12 clean heat credits previously awarded shall not be adjusted retroactively.

13 (e) Clean heat credits shall be “time stamped” for the year in which the
14 clean heat measure is delivered as well as each subsequent year during which
15 the measure produces emission reductions. Only clean heat credits with the
16 current year time stamp, and credits banked from previous years, shall be
17 eligible to satisfy the current year obligation.

18 (f) Clean heat credits can be earned only in proportion to the deemed or
19 measured thermal sector greenhouse gas emission reductions achieved by a
20 clean heat measure delivered in Vermont. Other emissions offsets, wherever
21 located, shall not be eligible measures.

1 (g)(1) All eligible clean heat measures that are delivered in Vermont shall
2 be eligible for clean heat credits and may be retired and count towards an
3 obligated party’s emission reduction obligations, regardless of who creates or
4 delivers them and regardless of whether their creation or delivery was required
5 by other State policies and programs. This includes individual initiatives,
6 emission reductions resulting from the State’s energy efficiency programs, the
7 low-income weatherization program, and the Renewable Energy Standard
8 Tier 3 program.

9 (2) The Commission shall determine whether the total value of a clean
10 heat credit for an installed measure shall be claimed in the year it is installed or
11 whether the annual value of that credit shall be applied each year of the
12 measure’s life.

13 (3) The Commission shall determine whether to require a certain portion
14 of clean heat credits be acquired each year from weatherization projects in
15 order to further the State’s building efficiency goals. The Commission shall
16 recommend legislative changes, if needed, to accomplish this.

17 (h)(1) The Commission shall create a registration system to lower
18 administrative barriers to individuals and businesses seeking to register
19 qualified actions eligible to earn clean heat credits and to facilitate the transfer
20 of credits to obligated parties. The Commission may hire a third-party
21 consultant to evaluate, develop, implement, maintain, and support a database

1 or other means for tracking clean heat credits and compliance with the annual
2 requirements of obligated parties.

3 (2) The system shall require entities to submit the following information
4 to receive the credit: the location of the clean heat measure, whether the
5 customer or tenant has a low or moderate income, the type of property where
6 the clean heat measure was installed or sold, the type of clean heat measure,
7 and any other information as required by the Commission.

8 (i) Nothing in this chapter shall limit the authority of the Secretary of
9 Natural Resources to compile and publish the Vermont Greenhouse Gas
10 Emissions Inventory and Forecast in accordance with 10 V.S.A. § 582.

11 § 8125. CLEAN HEAT STANDARD TECHNICAL ADVISORY GROUP

12 (a) The Commission shall establish the Clean Heat Standard Technical
13 Advisory Group (TAG) to assist the Commission in the ongoing management
14 of the Clean Heat Standard. Its duties shall include:

15 (1) establishing and revising the lifecycle carbon dioxide equivalent
16 (CO₂e) emissions accounting methodology to be used to determine each
17 obligated party's annual requirement pursuant to subdivision 8123(a)(2) of this
18 chapter;

19 (2) establishing and revising the clean heat credit value for different
20 clean heat measures;

1 (3) periodically assessing and reporting to the Commission on the
2 sustainability of the production of clean heat measures by considering factors
3 including greenhouse gas emissions; carbon sequestration and storage; human
4 health; land use changes; ecological and biodiversity impacts; groundwater and
5 surface water impacts; air, water, and soil pollution; and impacts on food costs;

6 (4) setting the lifespan length of clean heat measures for the purpose of
7 calculating credit values;

8 (5) establishing credit values for each year over a clean heat measure’s
9 life, including adjustments to account for increasing interactions between clean
10 heat measures over time so as to not double-count emission reductions;

11 (6) facilitating the program’s coordination with other energy programs;

12 (7) calculating the impact of the cost of clean heat credits and the cost
13 savings associated with delivered clean heat measures on per-unit heating fuel
14 prices;

15 (8) coordinating with the Agency of Natural Resources to ensure that
16 greenhouse gas emissions reductions achieved in another sector through the
17 implementation of the Clean Heat Standard are not double-counted in the
18 Vermont Greenhouse Gas Emissions Inventory and Forecast produced by the
19 Agency of Natural Resources;

20 (9) advising the Commission on the periodic assessment and revision
21 requirement established in subdivision 8123(a)(4) of this chapter; and

1 (10) any other matters referred to the TAG by the Commission.

2 (b) Members of the TAG shall be appointed by the Commission and shall
3 include the Department of Public Service, the Agency of Natural Resources,
4 and parties who have, or whose representatives have, expertise in one or more
5 of the following areas: technical and analytical expertise in measuring
6 lifecycle greenhouse gas emissions; energy modeling and data analysis; clean
7 heat measures and energy technologies; sustainability and non-greenhouse gas
8 emissions strategies designed to reduce and avoid impacts to the environment;
9 delivery of heating fuels in cold climates; and climate change mitigation policy
10 and law. The Commission shall accept and review motions to join the TAG
11 from interested parties who have, or whose representatives have, expertise in
12 one or more of the areas listed in this subsection. Members who are not
13 otherwise compensated by their employer shall be entitled to per diem
14 compensation and reimbursement for expenses under 32 V.S.A. § 1010.

15 (c) The Commission shall hire a third-party consultant responsible for
16 developing clean heat measure characterizations and relevant assumptions,
17 including CO₂e lifecycle emissions analyses. The TAG shall provide input
18 and feedback on the consultant's work.

19 (d) Emission analyses and associated assumptions developed by the
20 consultant shall be reviewed and approved annually by the Commission. In
21 reviewing the consultant's work, the Commission shall provide a public

1 comment period on the work. The Commission may approve or adjust the
2 consultant’s work as it deems necessary based on its review and the public
3 comments received.

4 § 8126. CLEAN HEAT STANDARD EQUITY ADVISORY GROUP

5 (a) The Commission shall establish the Clean Heat Standard Equity
6 Advisory Group to assist the Commission in developing and implementing the
7 Clean Heat Standard in a manner that ensures an equitable share of clean heat
8 measures are delivered to low-income and moderate-income Vermonters, and
9 that low-income and moderate-income Vermonters who are not early
10 participants in clean heat measures are not negatively impacted in their ability
11 to afford heating fuel. Its duties shall include:

12 (1) providing feedback to the Commission on strategies for engaging
13 low-income and moderate-income Vermonters in the public process around
14 development of the Clean Heat Standard;

15 (2) supporting the Commission in assessing whether customers are
16 equitably served by clean heat measures and how to increase equity in this
17 area;

18 (3) identifying actions needed to provide better service to and mitigate
19 the fuel price impacts calculated in section 8125 of this title on low-income
20 and moderate-income customers;

1 (4) assisting the Commission in defining low-income and moderate-
2 income customers;

3 (5) recommending any additional programs, incentives, or funding
4 needed to support low-income and moderate-income customers, and
5 organizations that provide social services to Vermonters, in affording heating
6 fuel and other heating expenses;

7 (6) providing feedback to the Commission on the impact of the Clean
8 Heat Standard on the everyday experience of low-income and moderate-
9 income Vermonters; and

10 (7) providing information to the Commission on the challenges renters
11 face in being equitably served by clean heat measures and recommendations to
12 ensure that renters have equitable access to clean heat measures.

13 (b) The Clean Heat Standard Equity Advisory Group shall consist of up to
14 10 members appointed by the Commission and at a minimum shall include at
15 least one representative from each of the following groups: the Department of
16 Public Service; the Department for Children and Families Office of Economic
17 Opportunity; community action agencies; Efficiency Vermont; individuals
18 with socioeconomically, racially, and geographically diverse backgrounds;
19 renters and rental property owners; and a member of the Vermont Fuel Dealers
20 Association. Members who are not otherwise compensated by their employer

1 shall be entitled to per diem compensation and reimbursement for expenses
2 under 32 V.S.A. § 1010.

3 § 8127. SEVERABILITY

4 If any provision of this chapter or its application to any person or
5 circumstance is held invalid or in violation of the Constitution or laws of the
6 United States or in violation of the Constitution or laws of Vermont, the
7 invalidity or the violation shall not affect other provisions of this chapter that
8 can be given effect without the invalid provision or application, and to this end,
9 the provisions of this chapter are severable.

10 § 8128. INTENT

11 It is the intent of the General Assembly that the Clean Heat Standard be
12 designed and implemented in a manner that achieves Vermont’s thermal sector
13 greenhouse gas emissions reductions necessary to meet the requirements of 10
14 V.S.A. § 578(a), minimizes costs to customers, and recognizes that affordable
15 heating is essential for Vermonters. It shall minimize adverse impacts to low-
16 income and moderate-income customers and those households with the highest
17 energy burdens.

18 Sec. 3. PUBLIC UTILITY COMMISSION IMPLEMENTATION

19 (a) Commencement.

20 (1) On or before August 31, 2022, the Public Utility Commission shall
21 commence a proceeding to implement Sec. 2 (Clean Heat Standard) of this act.

1 (2) On or before October 1, 2023, the Commission shall commence
2 rulemaking to implement Sec. 2 (Clean Heat Standard) of this act. The
3 Commission shall finally adopt these rules by July 1, 2024, unless this period
4 is extended by the Legislative Committee on Administrative Rules.

5 (b) Facilitator. On or before October 1, 2022, the Commission shall hire a
6 third-party consultant to design and conduct public engagement. The
7 Commission may use funds appropriated under this act on hiring the
8 consultant.

9 (c) Public engagement process. Before commencing rulemaking, the
10 Commission shall use the forms of public engagement described in this
11 subsection to inform the design and implementation of the Clean Heat
12 Standard. Any failure by the Commission to meet the specific procedural
13 requirements of this section shall not affect the validity of the Commission’s
14 actions.

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

20 (2) In order to receive focused feedback from specific constituents, the
21 Commission, with the assistance of the consultant, shall also hold at least four

1 meetings using deliberative polling. The facilitator shall assist the
2 Commission in developing a format for using deliberative polling at the
3 meetings. Each of these meetings shall focus on seeking input from a specific
4 group, including heating fuel dealers; low-income, moderate-income, and
5 fixed-income customers and advocates; and customers who use large amounts
6 of heating fuel.

7 (3) The Commission shall hold at least two workshops to solicit the
8 input of potentially affected parties. To reach as many potentially interested
9 entities as possible, such as Vermont’s fuel wholesalers and retail fuel
10 suppliers, renewable energy advocacy organizations, environmental and
11 consumer advocacy organizations, organizations that specialize in serving low-
12 and moderate-income Vermonters, organizations that specialize in serving
13 older Vermonters, entities that provide weatherization services, energy
14 transition providers, regional planning commissions, municipal energy
15 commissions, community action agencies, environmental justice organizations,
16 financial institutions that specialize in implementing low-income financing
17 programs, affordable housing advocates, the Office of Economic Opportunity,
18 and regional development corporations, the Commission shall provide notice
19 of the workshops on its website, shall publish the notice once in a newspaper
20 of general circulation in each county of Vermont, and shall also provide direct
21 notice to any person that requests direct notice or to whom the Commission

1 may consider direct notice appropriate. The Commission also shall provide an
2 opportunity for submission of written comments, which the notice shall
3 include.

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

12 (e) Advertising. The Commission shall use funding appropriated in this act
13 on advertising the public meetings in order to provide notice to a wide variety
14 of segments of the public.

15 (f) Final rules. On or before July 1, 2024, the Commission shall adopt final
16 rules to take effect on January 1, 2025 that initially implements Sec. 2 (Clean
17 Heat Standard) of this act. In its review of the final proposed rules, the
18 Legislative Committee on Rules (LCAR) shall consult with the committees of
19 jurisdiction pursuant to 3 V.S.A. § 817(c).

1 (g) Consultant. On or before January 15, 2023, the Commission shall
2 contract with a consultant to assist with implementation of 30 V.S.A. § 8124
3 (clean heat credits).

4 (h) Funding. On or before January 15, 2023, the Commission shall report
5 to the General Assembly on suggested revenue streams that may be used or
6 created to fund the Commission’s administration of the Clean Heat Standard
7 program.

8 (i) Check-back reports.

9 (1) On or before February 15, 2023 and January 15, 2024, the
10 Commission shall submit a written report to and hold hearings with the House
11 Committees on Energy and Technology and on Natural Resources, Fish, and
12 Wildlife and the Senate Committees on Finance and on Natural Resources and
13 Energy detailing the efforts undertaken to establish the Clean Heat Standard.
14 The reports shall include, to the extent available, estimates of the impact of the
15 Clean Heat Standard on customers, including impacts to customer rates and
16 fuel bills for participating and nonparticipating customers, net impacts on total
17 spending on energy for thermal sector end uses, fossil fuel reductions,
18 greenhouse gas emission reductions and, if possible, impacts on economic
19 activity and employment. In conducting this analysis, the Commission shall
20 incorporate the social cost of carbon as established by the Vermont Climate
21 Council, take into account the economic modeling conducted in the Vermont

1 Pathways Analysis Report 2.0, and consider the potential costs of delaying
2 action to achieve the requirements of 10 V.S.A. § 578(a). The modeled
3 impacts shall estimate high-, medium-, and low-price impacts. The reports
4 shall recommend any legislative action needed to address enforcement of the
5 Clean Heat Standard.

6 (2) Based on the information regarding projected costs and benefits, the
7 Commission shall recommend cost-containment mechanisms to be included in
8 statute.

9 (3) Upon receiving the recommendations regarding cost-containment
10 mechanisms provided by the Commission, the General Assembly shall
11 determine whether to enact legislation adopting the Commission’s
12 recommendations.

13 Sec. 4. PUBLIC UTILITY COMMISSION AND DEPARTMENT OF
14 PUBLIC SERVICE POSITIONS; APPROPRIATION

15 (a) The following new positions are created in the Public Utility
16 Commission for the purpose of carrying out this act:

17 (1) one permanent exempt Staff Attorney 3;

18 (2) one permanent exempt analyst; and

19 (3) one limited-service exempt analyst.

20 (b) The sum of \$600,000.00 is appropriated to the Public Utility
21 Commission from the General Fund in fiscal year 2023 for the positions

1 established in subsection (a) of this section, for the consultant required by
2 Sec. 3 of this act, and for additional operating costs required to implement the
3 Clean Heat Standard, including marketing and public outreach for Sec. 3 of
4 this act.

5 (c) The following new positions are created in the Department of Public
6 Service for the purpose of carrying out this act:

7 (1) one permanent exempt Staff Attorney; and

8 (2) two permanent classified program analysts.

9 (d) The sum of \$600,000.00 is appropriated to the Department of Public
10 Service from the General Fund in fiscal year 2023 for the positions established
11 in subsection (c) of this section, to retain consultants that may be required to
12 support verification and evaluation required by 30 V.S.A. § 8124(a), and for
13 associated operating costs related to the implementation of the Clean Heat
14 Standard.

15 **Sec. 5. SECTORAL PROPORTIONALITY REPORT**

16 (a)(1) On or before November 15, 2023, the Agency of Natural Resources
17 and the Department of Public Service, in consultation with the Agencies of
18 Agriculture, Food and Markets, of Commerce and Community Development,
19 and of Transportation and the Vermont Climate Council, shall report to the
20 House Committees on Energy and Technology and on Natural Resources, Fish,

1 and Wildlife and to the Senate Committees on Finance and on Natural
2 Resources and Energy regarding:

3 (A) the role of individual economic sectors in achieving the
4 greenhouse gas emission reduction requirements pursuant to 10 V.S.A.
5 § 578(a);

6 (B) each economic sector’s proportional contribution to greenhouse
7 gas emissions in Vermont as inventoried pursuant to 10 V.S.A. 582; and

8 (C) the extent to which cost-effective, feasible, and co-beneficial
9 reasonably available greenhouse gas emission reduction measures are available
10 commensurate with each sector’s proportional contribution and emissions
11 reduction impact.

12 (2) The report shall consider the analyses performed in support of the
13 December 1, 2021 Climate Action Plan and the 2022 Comprehensive Energy
14 Plan. The report shall consider additional analyses, as necessary.

15 (b) The report shall make recommendations to the General Assembly to
16 amend 10 V.S.A. § 578 to include sector-specific greenhouse emissions
17 reduction requirements and, as necessary, subsector-specific greenhouse
18 emission reduction requirements for the purposes of informing and
19 appropriately scaling the implementation of programs and policies that achieve
20 greenhouse gas emission reductions. As used in this section, “sector” means
21 those established in the annual Vermont Greenhouse Gas Emissions Inventory

1 and Forecast produced by the Agency of Natural Resources pursuant to
2 10 V.S.A. § 582. The recommendations shall be made in consideration of the
3 factors established in 10 V.S.A. § 592(d).

4 (c) The Agency of Natural Resources and the Department of Public
5 Service, in consultation with the Vermont Climate Council, shall submit an
6 updated report and any corresponding recommendations in accordance with
7 this section on July 1 of a year immediately preceding a year in which an
8 updated Climate Action Plan is adopted pursuant to 10 V.S.A. § 592(a).

9 Sec. 6. EFFECTIVE DATE

10 This act shall take effect on passage.

11

12

13

14

15 (Committee vote: _____)

16

17

Senator _____

18

FOR THE COMMITTEE