



VERMONT LEGISLATIVE  
**Joint Fiscal Office**

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## Fiscal Note

April 7, 2022

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### **H.715 – An act relating to the Clean Heat Standard**

**As passed by the House**

<https://legislature.vermont.gov/Documents/2022/Docs/BILLS/H-0715/H-0715%20As%20passed%20by%20the%20House%20Official.pdf>

#### **Bill Summary**

The bill establishes the Clean Heat Standard to reduce Vermont’s greenhouse gas emissions from the thermal (heating) sector. The Public Utility Commission will administer the Clean Heat Standard with assistance from two Clean Heat Standard Advisory Groups: the Technical Advisory Group and the Equity Advisory Group. The Department of Public Service will be a partner in providing background information, verifying, and evaluating clean heat credit claims.

#### **Fiscal Impact**

JFO estimates the bill would have a \$1.2 million fiscal impact on the General Fund for Fiscal Year 2023. The bill contains two appropriations from the General Fund for FY 2023:

- \$600,000 for the Public Utility Commission to pay for three new FTEs, three consultants, per diems for public members of two Advisory Groups, and marketing and public outreach; and
- \$600,000 for the Department of Public Service to pay for three new FTEs as well as other costs associated with verification and evaluation of the clean heat credits.

#### **Background and Details**

Under the Clean Heat Standard, obligated parties must reduce greenhouse gas emissions attributable to the Vermont thermal sector by retiring required amounts of clean heat credits to meet the thermal sector portion of the greenhouse gas emission reduction obligations of the Global Warming Solutions Act.

The following sections of the bill have a fiscal impact, summarized in Tables 1 and 2.

#### **Section 2**

Section 2 establishes the Clean Heat Standard and the system of clean heat credits that must be retired by obligated parties. Credits are based on the lifecycle CO<sub>2</sub>e emission reductions that result from the delivery of eligible clean heat measures to end-use customer locations in or into Vermont. The system of tradeable heat credits earned from the delivery of clean heat measures will be established through rule of order by the Public Utility Commission. The Commission will hire a consultant to develop various clean heat measures and assumptions, including CO<sub>2</sub>e lifecycle emissions analyses. The Department of Public Service is responsible for verification and evaluation of clean heat credit claims.

Section 2 also establishes the Clean Heat Standard Technical Advisory Group to assist the Commission with the Clean Heat Standard. Per diems and expenses are available to Advisory Group members whose employers do not reimburse time spent at Advisory Group meetings.

In addition, Section 2 establishes the Clean Heat Standard Equity Advisory Group to assist the Commission in ensuring that an equitable share of clean heat measures is delivered to low-income and moderate-income Vermonters. Again, per diems and expenses are available to those not otherwise compensated for meetings.

### Section 3

Section 3 spells out how the Clean Heat Standard will be implemented. It involves hiring a facilitator to help with the public engagement process, advertising public meetings, and hiring a consultant to help with clean heat credits.

### Section 4

Section 4 establishes three new positions in the Public Utility Commission and three new positions in the Department of Public Service.

### Details of Appropriations

The \$600,000 appropriation to the Public Utility Commission is allocated as illustrated in Table 1:

<b>Table 1. Appropriation for Public Utility Commission, FY 2023</b>				
	Wages	Benefits at 40%	Compensation	Subtotals
<b>Three new FTEs</b>				
(1) one permanent exempt Staff Attorney 3	\$80,000	\$32,000	\$112,000	
(2) one permanent exempt analyst	\$77,857	\$31,143	\$109,000	
(3) one limited-service exempt analyst	\$77,857	\$31,143	\$109,000	\$330,000
<b>Three third-party consultants</b>				
Database for clean heat credits (9 months)			\$50,000	
Lifecycle emissions analysis (6 months)			\$150,000	
Public engagement, incl. 6 public mtgs (9 months)			\$50,000	\$250,000
Per diems/expenses for Advisory Group members			\$10,120	
Marketing and public outreach			\$9,880	\$20,000
<b>TOTAL</b>			<b>\$600,000</b>	<b>\$600,000</b>

As seen in Table 1, per diems and expenses for Advisory Group members are estimated to be \$10,120 and are to be funded from the appropriation for the Public Utility Commission. The per diems and expenses for members of the public (not State employees) who serve on the two Technical Advisory Groups are calculated as follows. The standard per diem is \$50 per day, and the average expenses for travel and food are \$76.50 per day. JFO assumes four members of the Technical Advisory Group and six members of the Equity Advisory Group will be members of the public and that each Advisory Group will meet eight times during FY 2023.

The \$600,000 appropriation to the Department of Public Service is allocated as illustrated in Table 2:

**Table 2. Appropriation for the Department of Public Service, FY 2023**

	Wages	Benefits at 40%	Compensation	Subtotals
Three new FTEs				
(1) one permanent exempt Staff Attorney	\$125,000	\$50,000	\$175,000	
(2) two permanent classified analysts	\$107,143	\$42,857	\$150,000	
	\$89,286	\$35,714	\$125,000	\$450,000
Verification, monitoring, and evaluation			\$150,000	\$150,000
<b>TOTAL</b>			<b>\$600,000</b>	<b>\$600,000</b>

### Source of Funding

The appropriations of \$600,000 to the Public Utility Commission and \$600,000 to the Department of Public Service come from the General Fund.

### Impact on Vermont's Economy

It is too soon to estimate the impact on Vermont's economy, households, and businesses. The way in which the Clean Heat Standard is implemented, including the way in which clean heat credits are priced and how incentives or subsidies are offered to households and businesses, must be established before meaningful analysis is possible. At the same time, those incentives or subsidies could be costly for the State, suggesting larger fiscal impacts in future years.