

1 TO THE HONORABLE SENATE:

2 The Committee on Natural Resources and Energy to which was referred
3 Senate Bill No. 5 entitled “An act relating to affordably meeting the mandated
4 greenhouse gas reductions for the thermal sector through electrification,
5 decarbonization, efficiency, and weatherization measures” respectfully reports
6 that it has considered the same and recommends that the bill be amended by
7 striking out all after the enacting clause and inserting in lieu thereof the
8 following:

9 Sec. 1. SHORT TITLE

10 This act shall be known and may be cited as the “Affordable Heat Act.”

11 Sec. 2. FINDINGS

12 The General Assembly finds:

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

16 (2) Under the GWSA and 10 V.S.A. § 578, Vermont has a legal
17 obligation to reduce greenhouse gas emissions to specific levels by 2025, 2030,
18 and 2050.

19 (3) The Vermont Climate Council was established under the GWSA and
20 was tasked with, among other things, recommending necessary legislation to
21 reduce greenhouse gas emissions. The Initial Vermont Climate Action Plan

1 calls for the General Assembly to adopt legislation authorizing the Public
2 Utility Commission to administer the Clean Heat Standard consistent with the
3 recommendations of the Energy Action Network’s Clean Heat Standard
4 Working Group.

5 (4) As required by the GWSA, the Vermont Climate Council published
6 the Initial Vermont Climate Action Plan on December 1, 2021. As noted in
7 that plan, over one-third of Vermont’s greenhouse gas emissions in 2018 came
8 from the thermal sector. In that year, approximately 72 percent of Vermont’s
9 thermal energy use was fossil based, including 29 percent from the burning of
10 heating oil, 24 percent from fossil gas, and 19 percent from propane.

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

17 (6) Vermonters have an unprecedented opportunity to invest in eligible
18 clean heat measures with funding from new federal laws including, the
19 Infrastructure Investment and Jobs Act of 2021 and the Inflation Reduction Act
20 of 2022.

1 Sec. 3. 30 V.S.A. chapter 94 is added to read:

2 CHAPTER 94. CLEAN HEAT STANDARD

3 § 8121. INTENT

4 Pursuant to 2 V.S.A. § 205(a), it is the intent of the General Assembly that
5 the Clean Heat Standard be designed and implemented in a manner that
6 achieves Vermont’s thermal sector greenhouse gas emissions reductions
7 necessary to meet the requirements of 10 V.S.A. § 578(a)(2) and (3),
8 minimizes costs to customers, and recognizes that affordable heating is
9 essential for Vermonters. It shall minimize adverse impacts to customers with
10 low income and moderate income and those households with the highest
11 energy burdens.

12 § 8122. CLEAN HEAT STANDARD

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

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

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

6 (d)(1) The Commission shall adopt rules and may issue orders to
7 implement and enforce the Clean Heat Standard program.

8 (2) The requirement to adopt rules does not in any way impair the
9 Commission’s authority to issue orders or take any other actions, both before
10 and after final rules take effect, to implement and enforce the Clean Heat
11 Standard.

12 (3) The Commission’s rules may include a provision that allows the
13 Commission to revise its Clean Heat Standard rules by order of the
14 Commission without the revisions being subject to the rulemaking
15 requirements of the 3 V.S.A. chapter 25, provided the Commission:

16 (A) provides notice of any proposed changes,

17 (B) allows for a 30-day comment period, and

18 (C) responds to all comments received on the proposed change.

19 (4) Any order issues under this chapter shall be subject to appeal to the
20 Vermont Supreme Court under section 12 of this title, and the Commission
21 must immediately file any orders and a redline and clean version of the revised

1 rules with the Secretary of State, with notice simultaneously provided to the
2 House Committee on Environment and Energy and the Senate Committees on
3 Finance and on Natural Resources and Energy.

4 § 8123. DEFINITIONS

5 As used in this chapter:

6 (1) “Carbon intensity value” means the amount of lifecycle greenhouse
7 gas emissions per unit of energy of fuel expressed in grams of carbon dioxide
8 equivalent per megajoule (gCO₂e/MJ).

9 (2) “Clean heat credit” means a tradeable, nontangible commodity that
10 represents the amount of greenhouse gas reduction attributable to a clean heat
11 measure. The Commission shall establish a system of management for clean
12 heat credits pursuant to this chapter.

13 (3) “Clean heat measure” means fuel delivered and technologies
14 installed to end-use customers in Vermont that reduce greenhouse gas
15 emissions from the thermal sector. Clean heat measures shall not include
16 switching from one fossil fuel use to another fossil fuel use. The Commission
17 may adopt a list of acceptable actions that qualify as clean heat measures.

18 (4) “Commission” means the Public Utility Commission.

19 (5) “Default delivery agent” means the entity designated by the
20 Commission to provide services that generate clean heat measures.

1 (6) “Energy burden” means the annual spending on thermal energy as a
2 percentage of household income.

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

6 (8) “Fuel pathway” means a detailed description of all stages of fuel
7 production and use for any particular fuel, including feedstock generation or
8 extraction, production, transportation, distribution, and combustion of the fuel
9 by the consumer. The fuel pathway is used in the calculation of the carbon
10 intensity value and lifecycle greenhouse gas emissions of each fuel.

11 (9) “Heating fuel” means fossil-based heating fuel, including oil,
12 propane, natural gas, coal, and kerosene.

13 (10) “Obligated party” means:

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

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

17 (11) “Thermal sector” has the same meaning as the “Residential,
18 Commercial and Industrial Fuel Use” sector as used in the Vermont
19 Greenhouse Gas Emissions Inventory and Forecast.

20 § 8124. CLEAN HEAT STANDARD COMPLIANCE

21 (a) Required amounts.

1 (1) The Commission shall establish the amount number of clean heat
2 credits that each obligated party is required to retire each calendar year. The
3 size of the annual requirement shall be set at a pace sufficient for Vermont’s
4 thermal sector to achieve lifecycle carbon dioxide equivalent (CO2e) emission
5 reductions consistent with the requirements of 10 V.S.A. § 578(a)(2) and (3)
6 expressed as lifecycle greenhouse gas emissions pursuant to subsection 8125(f)
7 of this title.

8 (2) Annual requirements shall be expressed as a percent of each
9 obligated party’s contribution to the thermal sector’s lifecycle CO2e emissions
10 in the previous year. The annual percentage shall be the same for all obligated
11 parties. To ensure understanding among obligated parties, the Commission
12 shall publicly provide a description of the annual requirements in plain terms.

13 (3) To support the ability of the obligated parties to plan for the future,
14 the Commission shall establish and update annual clean heat credit
15 requirements for the next 10 years. Every three years, the Commission shall
16 extend the requirements three years; shall assess emission reductions actually
17 achieved in the thermal sector; and, if necessary, revise the pace of clean heat
18 credit requirements for future years to ensure that the thermal sector portion of
19 the emission reduction requirements of 10 V.S.A. § 578(a)(2) and (3) for 2030
20 and 2050 will be achieved.

1 (4) The Commission may temporarily adjust the annual requirements for
2 good cause after notice and opportunity for public process. Good cause may
3 include a shortage of clean heat credits or undue adverse financial impacts on
4 particular customers or demographic segments.

5 (b) Annual registration.

6 (1) Each entity that sells heating fuel into or in Vermont shall register
7 annually with the Commission by an annual deadline established by the
8 Commission. The first registration deadline is January 31, 2024, and the
9 annual deadline shall remain January 31 of each year unless a different
10 deadline is established by the Commission. The form and information required
11 in the registration shall be determined by the Commission and shall include all
12 data necessary to establish annual requirements under this chapter. The
13 Commission shall use the information provided in the registration to determine
14 whether the entity shall be considered an obligated party and the amount of its
15 annual requirement.

16 (2) At a minimum, the Commission shall require registration
17 information to include legal name; doing business as name, if applicable;
18 municipality; state; types of heating fuel sold; and the volume of sales of
19 heating fuels into or in the State for final sale or consumption in the State in
20 the calendar year immediately preceding the calendar year in which the entity
21 is registering with the Commission.

1 (3) The Department of Taxes shall annually provide a list of entities that
2 pay the fuel tax pursuant to 33 V.S.A. § 2503(a)(1) and (2) to the Commission.

3 (4) Each year, and not later than 30 days following the annual
4 registration deadline established by the Commission, the Commission shall
5 share complete registration information of obligated parties with the Agency of
6 Natural Resources and the Department of Public Service for purposes of
7 conducting the Vermont Greenhouse Gas Emissions Inventory and Forecast
8 and meeting the requirements of 10 V.S.A. § 591(b)(3).

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

13 (6) For any entity not registered on or before January 31, 2024, the first
14 registration form shall be due 30 days after the first sale of heating fuel to a
15 location in Vermont.

16 (7) Clean heat requirements shall transfer to entities that acquire an
17 obligated party.

18 (8) Entities that cease to operate shall retain their clean heat requirement
19 for their final year of operation.

20 (c) Early action credits. Beginning on January 1, 2023, clean heat
21 measures that are installed and provide emission reductions are creditable and

1 shall count towards the future clean heat credit requirements of an obligated
2 party. Upon the establishment of the clean heat credit system, entities may
3 register credits for actions taken starting in 2023.

4 (d) Equitable distribution of clean heat measures.

5 (1) The Clean Heat Standard shall be designed and implemented to
6 enhance social equity by minimizing adverse impacts to customers with low
7 income and moderate income and those households with the highest energy
8 burdens. The design shall ensure all customers have an equitable opportunity
9 to participate in, and benefit from, clean heat measures regardless of heating
10 fuel used, income level, geographic location, or homeownership status.

11 (2) Of their annual requirement, each obligated party shall retire at least
12 16 percent from customers with low income and 16 percent from customers
13 with moderate income. At least one-half of these credits shall be from
14 installed clean heat measures that require capital investments in homes, have
15 measure lives of 10 years or more, and are estimated by the Technical
16 Advisory Group to lower annual energy bills. Examples shall include
17 weatherization improvements and installation of heat pumps, heat pump water
18 heaters, and advanced wood heating systems. The Commission may identify
19 additional measures that qualify as installed measures.

1 (3) The definitions of customer with low income and customer with
2 moderate income shall be set by the Commission in consultation with the
3 Equity Advisory Group and in alignment with other existing definitions.

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

8 (5) In order to best serve customers with low income and moderate
9 income, the Commission shall have authority to change the percentages
10 established in subdivision (2) of this subsection and the criteria used to define
11 customers with low income and moderate income for good cause after notice
12 and opportunity for public process. Good cause may include a shortage of
13 clean heat credits or undue adverse financial impacts on particular customers
14 or demographic segments.

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

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

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

9 (f) Default delivery agent.

10 (1) The Commission shall designate the default delivery agent. The
11 default delivery agent shall be a single statewide entity capable of providing a
12 variety of clean heat measures. The entity selected as the default delivery
13 agent may also be a market participant but shall not be an obligated party. The
14 designation of an entity under this subdivision may be by order of appointment
15 or contract. A designation, whether by order of appointment or by contract,
16 may only be issued after notice and opportunity for hearing. An order of
17 appointment shall be for a limited duration not to exceed 12 years, although an
18 entity may be reappointed by order or contract. An order of appointment may
19 include any conditions and requirements that the Commission deems
20 appropriate to promote the public good. For good cause, after notice and

1 opportunity for hearing, the Commission may amend or revoke an order of
2 appointment.

3 (2) An obligated party may meet its annual requirement through a
4 designated default delivery agent appointed by the Commission. The default
5 delivery agent shall deliver creditable clean heat measures to Vermont homes
6 and businesses when:

7 (A) an obligated party chooses to assign its annual requirement, in
8 full or in part, to the default delivery agent; or

9 (B) an obligated party fails to produce or acquire its required amount
10 of clean heat credits as described in subdivision (g)(2) of this section.

11 (3) By rule or order, the Commission shall adopt annually the cost per
12 clean heat credit to be paid to the default delivery agent by an obligated party
13 that chooses this option. In adjusting the default delivery agent credit cost, the
14 Commission shall consider the default delivery agent's anticipated costs to
15 deliver clean heat measures and costs borne by customers, among other factors
16 determined by the Commission. Changes to the cost of credits shall take effect
17 not less than 180 days after adoption.

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

21 (g) Enforcement.

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

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

13 (3) Any statements or other representations made by obligated parties
14 related to compliance with the Clean Heat Standard are subject to the
15 Commission's enforcement authority, including the power to investigate and
16 assess penalties, under this title.

17 (4) The Commission's enforcement authority does not in any way
18 impede the enforcement authority of other entities, such as the Attorney
19 General's office.

20 (5) In addition to any other applicable penalties and remedies, failure to
21 register with the Commission as required by this section is a per se violation of

1 this section and of the Vermont Consumer Protection Act’s prohibition on
2 unfair and deceptive acts. The fact that an entity may not have known it was
3 required to register with the Commission shall not be a defense.

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

8 (i) Reports.

9 (1) As used in this subsection, “standing committees” means the House
10 Committee on Environment and Energy and the Senate Committees on
11 Finance and on Natural Resources and Energy.

12 (2) After the adoption of the rules implementing this chapter, the
13 Commission shall submit a written report to the standing committees detailing
14 the efforts undertaken to establish the Clean Heat Standard pursuant to this
15 chapter.

16 (3) On or before January 15 of each year following the year in which the
17 rules are first adopted under this section, the Commission shall submit to the
18 standing committees a written report detailing the implementation and
19 operation of the Clean Heat Standard. This report shall include an assessment
20 on the equitable adoption of clean heat measures required by subsection (d) of
21 this section, along with recommendations to increase participation for the

1 households with the highest energy burdens. The provisions of 2 V.S.A.
2 § 20(d) (expiration of required reports) shall not apply to the report to be made
3 under this subsection.

4 § 8125. TRADEABLE CLEAN HEAT CREDITS

5 (a) Credits established. By rule or order, the Commission shall establish or
6 adopt a system of tradeable clean heat credits that are earned by reducing
7 greenhouse gas emissions through the delivery of clean heat measures. While
8 credit denominations may be in simple terms for public understanding and ease
9 of use, the underlying value shall be based on units of carbon dioxide
10 equivalent (CO₂e). The system shall provide a process for the recognition,
11 approval, and monitoring of the clean heat credits. The Department of Public
12 Service shall perform the verification of clean heat credit claims and submit
13 results of the verification and evaluation to the Commission annually.

14 (b) Credit values. Clean heat credits shall be based on the accurate and
15 verifiable lifecycle CO₂e emission reductions in Vermont's thermal sector that
16 result from the delivery of eligible clean heat measures to end-use customer
17 locations into or in Vermont.

18 (1) For clean heat measures that are installed, credits will be created for
19 each year of the expected life of the installed measure. The annual value of the
20 clean heat credits for installed measures in each year shall be equal to the
21 lifecycle CO₂e emissions of the fuel use that is avoided in a given year

1 because of the installation of the measure, minus the lifecycle emissions of the
2 fuel that is used instead in that year.

3 (2) For clean heat measures that are fuels, clean heat credits will be
4 created only for the year the fuel is delivered to the end-use customer. The
5 value of the clean heat credits for fuels shall be the lifecycle CO2e emissions
6 of the fuel use that is avoided, minus the lifecycle CO2e emissions of the fuel
7 that is used instead.

8 (c) List of eligible measures. Eligible clean heat measures delivered to or
9 installed in Vermont shall include:

- 10 (1) thermal energy efficiency improvements and weatherization;
11 (2) cold-climate air, ground source, and other heat pumps, including
12 district, network, grid, microgrid, and building geothermal systems;
13 (3) heat pump water heaters;
14 (4) utility-controlled electric water heaters;
15 (5) solar hot water systems;
16 (6) electric appliances providing thermal end uses;
17 (7) advanced wood heating;
18 (8) noncombustion or renewable energy-based district heating services;
19 (9) the supply of sustainably sourced biofuels; and
20 (10) the supply of green hydrogen.

1 (d) Renewable natural gas. For pipeline renewable natural gas and other
2 renewably generated natural gas substitutes to be eligible, an obligated party
3 shall purchase renewable natural gas and its associated renewable attributes
4 and demonstrate that it has secured a contractual pathway for the physical
5 delivery of the gas from the point of injection into the pipeline to the obligated
6 party's delivery system.

7 (e) Carbon intensity of fuels.

8 (1) To be eligible as a clean heat measure a liquid or gaseous clean heat
9 measure shall have a carbon intensity value as follows:

10 (A) below 80 in 2025;

11 (B) below 60 in 2030; and

12 (C) below 20 in 2050, provided the Commission may allow liquid
13 and gaseous clean heat measures with a carbon intensity value greater than 20
14 if excluding them would be impracticable based on the characteristics of
15 Vermont's buildings, the workforce available in Vermont to deliver lower
16 carbon intensity clean heat measures, cost, or the effective administration of
17 the Clean Heat Standard.

18 (2) The Commission shall establish and publish the rate at which carbon
19 intensity values shall decrease annually for liquid and gaseous clean heat
20 measures consistent with subdivision (1) of this section as follows:

21 (A) on or before January 1, 2025 for 2025 to 2030; and

1 (B) on or before January 1, 2030 for 2031 to 2050.

2 (3) For the purpose of this section, the carbon intensity values shall be
3 understood relative to No. 2 fuel oil delivered into or in Vermont in 2022
4 having a carbon intensity value of 100. Carbon intensity values shall be
5 measured based on fuel pathways.

6 (f) Emissions schedule.

7 (1) To promote certainty for obligated parties and clean heat providers,
8 the Commission shall, by rule or order, establish a schedule of lifecycle
9 emission rates for heating fuels, biofuels, electricity, and any other fuel used by
10 a clean heat measure. The schedule shall be based on transparent, verifiable,
11 and accurate emissions accounting adapting the Argonne National Laboratory
12 REET Model, Intergovernmental Panel on Climate Change (IPCC)
13 modeling, or an alternative of comparable analytical rigor to fit the Vermont
14 thermal sector context, and the requirements of 10 V.S.A. § 578(a)(2) and (3).

15 (2) For each fuel pathway, the schedule shall account for greenhouse gas
16 emissions from biogenic and geologic sources, including fugitive emissions.
17 In determining the baseline emission rates for clean heat measures that are
18 fuels, emissions baselines shall fully account for methane emissions reductions
19 or captures already occurring, or expected to occur, for each fuel pathway as a
20 result of local, State, or federal policies that have been enacted or adopted.

1 (3) The schedule may be amended based upon changes in technology or
2 evidence on emissions, but clean heat credits previously awarded or already
3 under contract to be produced shall not be adjusted retroactively.

4 (g) Review of consequences. The Commission shall periodically assess
5 harmful consequences that may arise in Vermont or elsewhere from the
6 implementation of clean heat measures and shall set standards or limits to
7 prevent those consequences. Such consequences may include deforestation,
8 conversion of grasslands, or the creation of new methane to meet fuel demand.

9 (h) Time stamp. Clean heat credits shall be “time stamped” for the year in
10 which the clean heat measure delivered emission reductions. For each
11 subsequent year during which the measure produces emission reductions,
12 credits shall be generated for that year. Only clean heat credits that have not
13 been retired shall be eligible to satisfy the current year obligation.

14 (i) Delivery in Vermont. Clean heat credits shall be earned only in
15 proportion to the deemed or measured thermal sector greenhouse gas emission
16 reductions achieved by a clean heat measure delivered in Vermont. Other
17 emissions offsets, wherever located, shall not be eligible measures.

18 (j) Credit eligibility. All eligible clean heat measures that are delivered in
19 Vermont beginning on January 1, 2023 shall be eligible for clean heat credits
20 and may be retired and count towards an obligated party’s emission reduction
21 obligations, regardless of who creates or delivers them and regardless of

1 whether their creation or delivery was required or funded in whole or in part by
2 other **federal or** State policies and programs. This includes individual
3 initiatives, emission reductions resulting from the State’s energy efficiency
4 programs, the low-income weatherization program, and the Renewable Energy
5 Standard Tier 3 program.

6 (k) Credit registration.

7 (1) The Commission shall create an administrative system to register,
8 sell, transfer, and trade credits to obligated parties. The Commission may hire
9 a third-party consultant to evaluate, develop, implement, maintain, and support
10 a database or other means for tracking clean heat credits and compliance with
11 the annual requirements of obligated parties.

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

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

1 § 8126. CLEAN HEAT STANDARD TECHNICAL ADVISORY GROUP

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

5 (1) establishing and revising the lifecycle carbon dioxide equivalent
6 (CO2e) emissions accounting methodology to be used to determine each
7 obligated party's annual requirement pursuant to subdivision 8124(a)(2) of this
8 chapter;

9 (2) establishing and revising the clean heat credit value for different
10 clean heat measures;

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

16 (4) setting the expected life length of clean heat measures for the
17 purpose of calculating credit amounts;

18 (5) establishing credit values for each year over a clean heat measure's
19 expected life, including adjustments to account for increasing interactions
20 between clean heat measures over time so as to not double-count emission
21 reductions;

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

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

5 (8) coordinating with the Agency of Natural Resources to ensure that
6 greenhouse gas emissions reductions achieved in another sector through the
7 implementation of the Clean Heat Standard are not double-counted in the
8 Vermont Greenhouse Gas Emissions Inventory and Forecast;

9 (9) advising the Commission on the periodic assessment and revision
10 requirement established in subdivision 8124(a)(3) of this chapter; and

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

12 (b) Members of the TAG shall be appointed by the Commission and shall
13 include the Department of Public Service, the Agency of Natural Resources,
14 and parties who have, or whose representatives have, expertise in one or more
15 of the following areas: technical and analytical expertise in measuring
16 lifecycle greenhouse gas emissions, energy modeling and data analysis, clean
17 heat measures and energy technologies, sustainability and non-greenhouse gas
18 emissions strategies designed to reduce and avoid impacts to the environment,
19 delivery of heating fuels, and climate change mitigation policy and law. The
20 Commission shall accept and review motions to join the TAG from interested
21 parties who have, or whose representatives have, expertise in one or more of

1 the areas listed in this subsection. Members who are not otherwise
2 compensated by their employer shall be entitled to per diem compensation and
3 reimbursement for expenses under 32 V.S.A. § 1010.

4 (c) The Commission shall hire a third-party consultant responsible for
5 developing clean heat measure characterizations and relevant assumptions,
6 including CO2e lifecycle emissions analyses. The TAG shall provide input
7 and feedback on the consultant's work. The Commission may use
8 appropriated funds to hire the consultant.

9 (d) Emission analyses and associated assumptions developed by the
10 consultant shall be reviewed and approved annually by the Commission. In
11 reviewing the consultant's work, the Commission shall provide a public
12 comment period on the work. The Commission may approve or adjust the
13 consultant's work as it deems necessary based on its review and the public
14 comments received.

15 § 8127. CLEAN HEAT STANDARD EQUITY ADVISORY GROUP

16 (a) The Commission shall establish the Clean Heat Standard Equity
17 Advisory Group to assist the Commission in developing and implementing the
18 Clean Heat Standard in a manner that ensures an equitable share of clean heat
19 measures are delivered to Vermonters with low income and moderate income
20 and that Vermonters with low income and moderate income who are not early

1 participants in clean heat measures are not negatively impacted in their ability
2 to afford heating fuel. Its duties shall include:

3 (1) providing feedback to the Commission on strategies for engaging
4 Vermonters with low income and moderate income in the public process for
5 developing the Clean Heat Standard program;

6 (2) supporting the Commission in assessing whether customers are
7 equitably served by clean heat measures and how to increase equity;

8 (3) identifying actions needed to provide customers with low income
9 and moderate income with better service and to mitigate the fuel price impacts
10 calculated in section 8126 of this title;

11 (4) assisting the Commission in defining customers with low income
12 and moderate income;

13 (5) recommending any additional programs, incentives, or funding
14 needed to support customers with low income and moderate income and
15 organizations that provide social services to Vermonters in affording heating
16 fuel and other heating expenses;

17 (6) providing feedback to the Commission on the impact of the Clean
18 Heat Standard on the experience of Vermonters with low income and moderate
19 income; and

1 (7) providing information to the Commission on the challenges renters
2 face in equitably accessing clean heat measures and recommendations to
3 ensure that renters have equitable access to clean heat measures.

4 (b) The Clean Heat Standard Equity Advisory Group shall consist of up to
5 10 members appointed by the Commission and at a minimum shall include at
6 least one representative from each of the following groups: the Department of
7 Public Service; the Department for Children and Families' Office of Economic
8 Opportunity; community action agencies; Efficiency Vermont; individuals
9 with socioeconomically, racially, and geographically diverse backgrounds;
10 renters and rental property owners; and a member of the Vermont Fuel Dealers
11 Association. Members who are not otherwise compensated by their employer
12 shall be entitled to per diem compensation and reimbursement for expenses
13 under 32 V.S.A. § 1010.

14 § 8128. SEVERABILITY

15 If any provision of this chapter or its application to any person or
16 circumstance is held invalid or in violation of the Constitution or laws of the
17 United States or in violation of the Constitution or laws of Vermont, the
18 invalidity or the violation shall not affect other provisions of this chapter that
19 can be given effect without the invalid provision or application, and to this end,
20 the provisions of this chapter are severable.

21 Sec. 4. 10 V.S.A. § 582 is amended to read:

§ 582. GREENHOUSE GAS INVENTORIES; REGISTRY

(a) Inventory and forecasting. The Secretary shall work, in conjunction with other states or a regional consortium, to establish a periodic and consistent inventory of greenhouse gas emissions. The Secretary shall publish the Vermont Greenhouse Gas Emission Inventory and Forecast by ~~no~~ not later than June 1, 2010, and updates shall be published annually until 2028, until a regional or national inventory and registry program is established in which Vermont participates, or until the federal National Emissions Inventory includes mandatory greenhouse gas reporting. The Secretary of Natural Resources shall include a sensitivity analysis in the Vermont Greenhouse Gas Emissions Inventory and Forecast that measures the lifecycle greenhouse gas emissions of liquid, gaseous, and solid biogenic fuels combusted in Vermont.

* * *

Sec. 5. 32 V.S.A. § 3102 is amended to read:

§ 3102. CONFIDENTIALITY OF TAX RECORDS

(a) No present or former officer, employee, or agent of the Department of Taxes shall disclose any return or return information to any person who is not an officer, employee, or agent of the Department of Taxes except in accordance with the provisions of this section. A person who violates this section shall be fined not more than \$1,000.00 or imprisoned for not more than one year, or both; and if the offender is an officer or employee of this State, the

1 offender shall, in addition, be dismissed from office and be incapable of
2 holding any public office for a period of five years thereafter.

3 * * *

4 (d) The Commissioner shall disclose a return or return information:

5 * * *

6 (9) To the Public Utility Commission and the Department of Public
7 Service for purposes of providing information related to the fuel tax imposed
8 under 33 V.S.A. § 2503 necessary to administer the Clean Heat Standard
9 established in 30 V.S.A. chapter 94.

10 * * *

11 Sec. 6. PUBLIC UTILITY COMMISSION IMPLEMENTATION

12 (a) Commencement. On or before August 31, 2023, the Public Utility
13 Commission shall commence a proceeding to implement Sec. 3 (Clean Heat
14 Standard) of this act.

15 (b) Facilitator. The Commission may hire a third-party consultant to
16 design and conduct public engagement. The Commission may use funds
17 appropriated under this act on hiring the consultant.

18 (c) Public engagement process. Before commencing rulemaking, the
19 Commission shall use the forms of public engagement described in this
20 subsection to inform the design and implementation of the Clean Heat
21 Standard. Any failure by the Commission to meet the specific procedural

1 requirements of this section shall not affect the validity of the Commission's
2 actions.

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

8 (2) Of the six meetings, the Commission, with the assistance of the
9 consultant, shall also use deliberative polling or another method of receiving
10 focused feedback from specific constituents during at least two meetings. The
11 facilitator shall assist the Commission in developing a format for soliciting
12 feedback at the meetings. Each of these meetings shall focus on seeking input
13 from a specific group, which may include heating fuel dealers; customers with
14 low income, moderate income, and fixed income and their advocates; and
15 customers who use large amounts of heating fuel.

16 (3) The Commission shall hold at least two workshops to solicit the
17 input of potentially affected parties. To facilitate participation, the
18 Commission shall provide notice of the workshops on its website, shall publish
19 the notice once in a newspaper of general circulation in each county of
20 Vermont, and shall also provide direct notice to any person that requests direct
21 notice or to whom the Commission may consider direct notice appropriate.

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

3 (d) Advertising. The Commission shall use funding appropriated in this act
4 on advertising the public meetings in order to provide notice to a wide variety
5 of segments of the public.

6 (e) Draft proposed rules. The Commission shall publish draft proposed
7 rules publicly and provide notice of them through the Commission's online
8 case management system, ePUC, to the stakeholders in this rulemaking who
9 registered their names and e-mail addresses with the Commission through
10 ePUC. The Commission shall provide a 30-day comment period on the draft
11 and accept written comments from the public and stakeholders. The
12 Commission shall consider changes in response to the public comments before
13 filing the proposed rules with the Secretary of State and the Legislative
14 Committee on Administrative Rules.

15 (f) Final rules. On or before January 15, 2025, the Commission shall
16 submit to the General Assembly final proposed rules to implement the Clean
17 Heat Standard. The Commission shall not file the final proposed rules with the
18 Secretary of State until June 1, 2025.

19 (g) Consultant. The Commission may contract with a consultant to assist
20 with implementation of 30 V.S.A. § 8125 (clean heat credits).

1 (h) Funding. On or before January 15, 2024, the Commission shall report
2 to the General Assembly on suggested revenue streams that may be used or
3 created to fund the Commission’s administration of the Clean Heat Standard
4 program.

5 (i) Check-back reports. On or before February 15, 2024 and January 15,
6 2025, the Commission shall submit a written report to and be available to
7 provide oral testimony to the House Committee on Environment and Energy
8 and the Senate Committees on Finance and on Natural Resources and Energy
9 detailing the efforts undertaken to establish the Clean Heat Standard. The
10 reports shall include, to the extent available, estimates of the impact of the
11 Clean Heat Standard on customers, including impacts to customer rates and
12 fuel bills for participating and nonparticipating customers, net impacts on total
13 spending on energy for thermal sector end uses, fossil fuel reductions,
14 greenhouse gas emission reductions, and, if possible, impacts on economic
15 activity and employment. The modeled impacts shall estimate high-, medium-,
16 and low-price impacts. The reports shall recommend any legislative action
17 needed to address enforcement of the Clean Heat Standard.

18 (j) The Commission may rely on the Agency of Commerce and
19 Community Development, the Department of Public Service, and other State
20 agencies and departments shall assist the Commission with economic modeling
21 for the required reports and rulemaking process.

1 Sec. 7. PUBLIC UTILITY COMMISSION AND DEPARTMENT OF
2 PUBLIC SERVICE POSITIONS; APPROPRIATION

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

5 (1) one permanent exempt Staff Attorney;

6 (2) one permanent exempt Analyst; and

7 (3) one limited-service exempt Analyst.

8 (b) The sum of \$800,000.00 is appropriated to the Public Utility
9 Commission from the General Fund in fiscal year 2024 for the positions
10 established in subsection (a) of this section; for all consultants required by this
11 act; and for additional operating costs required to implement the Clean Heat
12 Standard, including marketing and public outreach for Sec. 6 of this act.

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

15 (1) one permanent exempt Staff Attorney; and

16 (2) one permanent classified Program Analyst.

17 (d) The sum of \$400,000.00 is appropriated to the Department of Public
18 Service from the General Fund in fiscal year 2024 for the positions established
19 in subsection (c) of this section, to retain consultants that may be required to
20 support verification and evaluation required by 30 V.S.A. § 8125(a), and for

1 associated operating costs related to the implementation of the Clean Heat
2 Standard.

3 Sec. 8. SECTORAL PROPORTIONALITY REPORT

4 (a)(1) On or before November 15, 2024, the Agency of Natural Resources
5 and the Department of Public Service, in consultation with the Agencies of
6 Agriculture, Food and Markets, of Commerce and Community Development,
7 and of Transportation and the Vermont Climate Council, shall report to the
8 House Committee on Environment and Energy and to the Senate Committees
9 on Finance and on Natural Resources and Energy regarding:

10 (A) the role of individual economic sectors in achieving the
11 greenhouse gas emission reduction requirements pursuant to 10 V.S.A.
12 § 578(a);

13 (B) each economic sector's proportional contribution to greenhouse
14 gas emissions in Vermont as inventoried pursuant to 10 V.S.A. § 582; and

15 (C) the extent to which cost-effective, feasible, and cobeneficial
16 reasonably available greenhouse gas emission reduction measures are available
17 commensurate with each sector's proportional contribution and emissions
18 reduction impact.

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

1 **(b) The report shall make recommendations to the General Assembly to**
2 **amend 10 V.S.A. § 578 to include sector-specific greenhouse emissions**
3 **reduction requirements and, as necessary, subsector-specific greenhouse**
4 **emission reduction requirements for the purposes of informing and**
5 **appropriately scaling the implementation of programs and policies that achieve**
6 **greenhouse gas emission reductions. As used in this section, “sector” means**
7 **those established in the annual Vermont Greenhouse Gas Emissions Inventory**
8 **and Forecast produced by the Agency of Natural Resources pursuant to**
9 **10 V.S.A. § 582. The recommendations shall be made in consideration of the**
10 **factors established in 10 V.S.A. § 592(d).**

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

16 **Sec. 9. EFFECTIVE DATE**

17 **This act shall take effect on passage.**
18 **and that after passage the title of the bill be amended to read: “An act**
19 **relating to affordably meeting the mandated greenhouse gas reductions for the**
20 **thermal sector through efficiency, weatherization measures, electrification, and**
21 **decarbonization”**

1

2 (Committee vote: _____)

3

4

Senator _____

5

FOR THE COMMITTEE