

# **REPORT TO THE VERMONT LEGISLATURE**

## **FIRST CHECKBACK REPORT on the CLEAN HEAT STANDARD UNDER ACT 18 OF 2023, SECTION 6(i)**

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**Submitted by the Vermont Public Utility Commission to the Senate Committee on Finance, Senate Committee on Natural Resources and Energy, and House Committee on Environment and Energy**

**FEBRUARY 15, 2024**

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## I. Executive summary

In Public Act 18 (2023 Vt., Bien. Sess.) (“Act 18”), the Vermont Legislature directed the Vermont Public Utility Commission (“Commission”) to undertake the design of the proposed Clean Heat Standard and to present a proposed rule to the Legislature in January 2025. This is the first of two reports required by Act 18. It details the efforts undertaken thus far to design the Clean Heat Standard rule, including the steps taken to date and the contributions of the many interested participants. This preliminary report does not provide estimates of the impact of the potential Clean Heat Standard on customers and their fuel bills, fossil fuel reductions, greenhouse gas emissions reductions, or impacts on Vermont’s economy. Those important analyses must follow a thorough examination of the many complex topics embedded in Act 18 and must occur as part of the Commission drafting a Clean Heat Standard rule that is implementable on a practical level and achieves the intent of the Act.

As detailed below, since the passage of Act 18, the Commission has engaged three new full-time employees and redirected other personnel to focus on this mission. We have issued 26 orders seeking recommendations and information on discrete topics and making rulings on others, established the Equity Advisory Group and Technical Advisory Group, created a Clean Heat Standard webpage to facilitate participation, and created the annual fuel dealer registration form and related materials. We have convened three substantive workshops and facilitated three meetings each of the Equity Advisory Group and Technical Advisory Group, and we are finalizing contracts for a public engagement facilitator and a technical consultant.

As the Commission reflects on the work completed to date and the work necessary to deliver a final rule to the Legislature by January 15, 2025, we must highlight a significant concern: As they have struggled to meet the series of deadlines in the draft comprehensive schedule that was designed specifically to meet that statutory deadline, most participants have expressed serious misgivings that the quality of the rule and the success of its implementation will suffer as a result of the aggressive schedule required by Act 18. Comments reflect strong opinions that the schedule sets such an untenable pace that it will be extremely challenging for the Commission, the Equity Advisory Group, and the Technical Advisory Group to carry out their responsibilities in a manner that allows time for deliberative process, thoughtful input from all stakeholders, and sufficient public participation to design such a transformative, first-of-its-kind, highly complex, and technical program.

Such comments include: “VEIC believes the schedule reflected by the PUC drafted RULE, combined with the ordered INV schedule sets an untenable pace that would limit public participation and deeply constrain interested or affected parties from participating effectively,” and “[t]his intensity likely will lead to a poorer outcome from the proceedings than could be

achieved with a lesser intensity.”<sup>1</sup> Several parties advocated strongly for an extension from the Legislature, stating that the current schedule presents a significant barrier to engaging effectively and doing their best work.<sup>2</sup>

The Commission shares stakeholders’ serious concerns that any draft rule presented to the Legislature in January 2025 will suffer from the haste demanded by Act 18, which – following the months required to hire the necessary personnel and appoint the necessary committees – allots mere months to the creation of an unprecedented, complex program with the potential for unintended consequences that impact the lives of all Vermonters.

In addition, the expedited timeline necessary to deliver a proposed Clean Heat Standard rule by January 15, 2025, is in direct tension with Vermont’s commitments to climate equity. The State’s environmental justice policy, expressed in statute, is to “provide the opportunity for the meaningful participation of all individuals, with particular attention to environmental justice focus populations, in the development, implementation, or enforcement of any law, regulation, or policy.”<sup>3</sup> We are concerned that the streamlined process required to meet Act 18’s statutory deadlines will run afoul of at least two of the *Guiding Principles for a Just Transition* described in the Climate Action Plan: (1) ensuring “inclusive, transparent, and innovative engagement,” and ensuring that “all Vermonters are informed and able to participate” meaningfully in the development of the Clean Heat Standard rule, and (2) “moving at the speed of trust” to provide

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<sup>1</sup> VEIC comments of 1/12/24 at 3 and Thomas Weiss comments of 1/12/24 at 1. *See also* Vermonters for a Clean Environment comments of 1/12/24 at 2: “As a representative of a small organization that expects to participate in this process on behalf of our members, I see the proposed schedule is a barrier to public participation.”; Vermont Fuel Dealers Association comments of 1/12/24 at 1: “It seems unlikely that the same degree of attention, deliberation, and thoughtfulness can be applied to address the upcoming issues, which arguably will require more time, resources, and energy than those already addressed. In short, this process is being rushed and policy implications of this work require more time.”; VEIC comments of 1/12/24 at 1: “VEIC finds the topics the Commission has identified within the drafted RULE schedule as reasonable and appropriate for the development of the rules that will govern the deployment of a Clean Heat Standard but finds the schedule to set a pace that is extremely aggressive and may preclude the opportunity to provide thoughtful responses from all interested or impacted parties.”; and Thomas Weiss comments of 1/12/24 at 1: “The due dates for comments and reply comments so far have been tough to manage.”

<sup>2</sup> Department of Public Service comments of 1/12/24 at 2: “And the Department suggests that the Commission consider asking the legislature for an amendment that would allow more time for a deliberative process to design this transformation policy in Vermont.”; Vermonters for a Clean Environment comments of 1/12/24 at 1: “I do not see that the proposed process is reasonable or realistic. I am respectfully suggesting that parties cannot do what is proposed, and that the proposed schedule based on the legislation you have been tasked with requires further discussions with the legislature.”; and Vermont Fuel Dealers Association comments of 1/12/24 at 2: “Therefore, it is VFDA and HCCV’s recommendation that the PUC request from the legislature a different timetable to address the magnitude of work that is required to implement the Clean Heat Standard.”

<sup>3</sup> 3 V.S.A. § 6003

adequate time to incorporate all voices, especially those of “impacted and frontline communities” in the transition to a sustainable climate future.<sup>4</sup>

Vermonters deserve a thoughtful, equitable, and achievable Clean Heat Standard, designed with enough time for the deliberative process that such an undertaking requires. This is a complex and unprecedented program that requires robust public engagement, technical analyses, iterative processes, and thoughtful consideration of all outcomes. The Clean Heat Standard is intended to have transformative effects; being careful and deliberate during the design phase will ensure that those transformations allow Vermont to meet its greenhouse gas emissions targets while avoiding undue harm.

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<sup>4</sup> Vermont Climate Council, *Guiding Principles for a Just Transition*, August 2021, pp. 6-7.

## II. Introduction and statutory basis

Public Act 18 (2023 Vt., Bien. Sess.) (“Act 18”) became effective on May 24, 2023. Act 18 established the Clean Heat Standard in 30 V.S.A. Chapter 94, and directs the Commission to “adopt rules and ... issue orders to implement and enforce the Clean Heat Standard program.”<sup>5</sup> Section 6(i) of Act 18 directs the Commission to file two reports. Section 6(i) states:

On or before February 15, 2024 and January 15, 2025, the Commission shall submit a written report to and be available to provide oral testimony to the House Committee on Environment and Energy and the Senate Committees on Finance and on Natural Resources and Energy detailing the efforts undertaken to establish the Clean Heat Standard. The reports shall include, to the extent available, estimates of the impact of the Clean Heat Standard on customers, including impacts to customer rates and fuel bills for participating and nonparticipating customers, net impacts on total spending on energy for thermal sector end uses, fossil fuel reductions, greenhouse gas emission reductions, and, if possible, impacts on economic activity and employment. The modeled impacts shall estimate high-, medium-, and low-price impacts. The reports shall recommend any legislative action needed to address enforcement or other aspects of the Clean Heat Standard, including how to ensure fuel use that occurs outside the thermal sector is not impacted under the program.<sup>6</sup>

In this checkback report, the Commission reports on the efforts undertaken to date. It is too early to report on most of the important items requested in Section 6(i) because they rely on work that is still under way. Impact assessments, such as impacts on economic activity and employment, depend on decisions on the overall program design (such as annual requirements, credit definition, credit banking and trading rules, and equitable distribution systems) that are scheduled for public process and Commission evaluation in March through August of 2024. Other items, such as fossil fuel reductions, greenhouse gas emission reductions, total spending, and impacts on customer rates, all depend, in part, on the Department of Public Service’s Potential Study, due in September of 2024, and detailed work from the Technical Advisory Group, Equity Advisory Group, and technical consultant that will be completed over the course of the year.

This report is organized into eight sections.

- Section I is the Executive Summary,
- Section II provides an introduction and the statutory basis for the content of this report,

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<sup>5</sup> 30 V.S.A. § 8122(d).

<sup>6</sup> Public Act No. 18, § 6(i) (2023 Vt., Bien. Sess.).

- Section III summarizes the efforts undertaken so far to develop the Clean Heat Standard rule,
- Section IV describes public participation,
- Section V provides detail about the default delivery agent (“DDA”) case,
- Section VI provides detail about the rulemaking case, including annual fuel dealer registration,
- Section VII gives an overview of the remaining project scope, and
- Section VIII provides some concluding thoughts.

The second checkback report, due on January 15, 2025, will fully describe efforts undertaken to develop the Clean Heat Standard rule and will address the topics in Section 6(i) not addressed in this report.

### III. Efforts undertaken to develop the Clean Heat Standard rule

On June 30, 2023, the Commission opened two cases related to the design of the potential Clean Heat Standard. Case No. 23-2220-RULE covers most aspects of the design of the Clean Heat Standard program and associated rulemaking. Case No. 23-2221-INV investigates the establishment of DDA credit costs and quantities.

As of this writing, the Commission has issued 26 orders seeking recommendations and information on discrete topics, established the Equity Advisory Group and Technical Advisory Group, created a Clean Heat Standard webpage to facilitate public participation, finalized contracts for a public engagement facilitator and a technical consultant, and initiated the first annual fuel dealer registration process. The Commission has convened three substantive workshops and facilitated three meetings each of the Equity Advisory Group and Technical Advisory Group. See Appendix A for a timeline of work completed to date.

#### a. Progress assembling staff, consultants, and advisory groups

The Commission’s first major effort following enactment of Act 18 was staffing, on which the Commission began work immediately. Section 7(a) of Act 18 created three new positions at the Commission for the purpose of carrying out the Act: one permanent exempt attorney, one permanent exempt analyst, and one limited-service exempt analyst. The Commission has assembled a designated Clean Heat Standard team consisting of these three new hires who are devoted to the project full time, a Department of Energy Clean Energy Innovator Fellow who devotes 80% of their time to the project, and two long-serving Commission employees who devote substantial portions of time to the project. The Clean Heat team jobs were advertised beginning on May 30, 2023, and the three new employees began work in August through September 2023. These employees quickly drafted requests for proposals (RFPs) for a technical

consultant and a public engagement facilitator, and solicited applications for members of the Technical Advisory Group and Equity Advisory Group.<sup>7</sup>

In November 2023, the Commission appointed individuals to fill all available seats on the Technical Advisory Group and Equity Advisory Group envisioned in statute.<sup>8</sup> The Technical Advisory Group and Equity Advisory Group have each met three times to date. Meeting agendas and minutes are available on the Commission's Clean Heat Standard website.<sup>9</sup>

The Commission executed a contract with a public engagement facilitator, the Vermont Partnership for Fairness and Diversity, on January 25, 2024. The facilitator's initial proposal is to complete the statutorily directed public engagement over seven months. The Commission executed a contract with a technical consultant, Opinion Dynamics, on February 7, 2024. The technical consultant will be responsible for developing clean heat measure characterizations and relevant assumptions, including CO<sub>2e</sub> lifecycle emission analyses. Upon commencement of work, the technical consultant will coordinate with the Technical Advisory Group and will maintain a close working relationship with that group throughout the contract period.

The Department of Public Service ("Department") reported to the Commission that it has hired three full-time employees to carry out the work associated with designing the proposed Clean Heat Standard. A staff attorney started on August 21, 2023. Two Thermal Energy Program Specialists began work on December 11, 2023, and January 8, 2024. These positions were initially posted in June of 2023, and the one suitable candidate declined the position at that time. A reposting was made in September 2023, resulting in the thermal energy program specialist hires. In addition, existing staff within the Department are overseeing the Thermal Sector Potential Study, serving on the Clean Heat Standard Technical Advisory Group, and otherwise supporting the Clean Heat Standard implementation. In aggregate, the equivalent of approximately four full-time employees support this work for the Department.

On August 30, 2023, the Department posted an RFP for a consultant to perform a Thermal Sector Carbon Reduction Potential Study. The RFP was updated on September 11, 2023, to allow bidders more time to submit proposals. In mid-November 2023, the Department selected Optimal Energy, with offices in Hinesburg, Vermont (which had recently been acquired by NV5 Global, Inc.). The contract was fully executed on January 29, 2024.

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<sup>7</sup> See *State of Vermont Request for Proposals for a Public Engagement Facilitator for the Vermont Public Utility Commission*, Case 23-2220-RULE, Order of 09/11/23; *Public Utility Commission Solicitation for Applicants for Technical Advisory Group*, Case 23-2220-RULE, Order of 9/19/23; *Public Utility Commission Solicitation for Applicants for Equity Advisory Group*, Case 23-2220-RULE, Order of 9/19/23; and *Request for Proposals for a Clean Heat Measure Characterization Technical Consultant for the Proposed Clean Heat Standard with the Vermont Public Utility Commission*, Case 23-2220-RULE, Order of 9/29/23.

<sup>8</sup> See 30 V.S.A. § 8128 for the Technical Advisory Group requirements and 30 V.S.A. § 8129 for Equity Advisory Group requirements. For information about group membership, please see *Order Announcing Appointees to the Technical and Equity Advisory Groups*, Case 23-220-RULE, Order of 11/16/23.

<sup>9</sup> <https://puc.vermont.gov/clean-heat-standard>.



## b. Work organization by topics

The Commission has identified ten main working areas for the Clean Heat Standard project. The Commission created a “Topic Tag” system in ePUC, the Commission’s online case management system, to help participants and observers navigate the multitude of filings and documents in these proceedings. These topic areas and their related cases are included in the table below; later sections of this report discuss the sequencing of these topics.

<b>Topic Tag</b>	<b>Purpose / Likely Subtopics Under this Label</b>	<b>Associated Case</b>
0 Procedural Issues	Case management and administrative issues	23-2220-RULE & 23-2221-INV
1 Advisory Groups	Materials related to advisory groups	23-2220-RULE & 23-2221-INV
2 Measure Characterization	<ul style="list-style-type: none"> <li>• Attributes &amp; Assumptions</li> <li>• Carbon Intensity of Fuels</li> <li>• Lifecycle Emissions</li> </ul>	23-2220-RULE
3 Credit Creation	<ul style="list-style-type: none"> <li>• Ownership</li> <li>• Qualifying Actions</li> <li>• CO2e Equivalency</li> <li>• Reporting</li> <li>• Verification</li> <li>• Low and Medium Income</li> </ul>	23-2220-RULE
4 Credit Usage	<ul style="list-style-type: none"> <li>• Trading</li> <li>• Banking</li> <li>• Retirement</li> <li>• Non-Compliance</li> </ul>	23-2220-RULE
5 Pacing	<ul style="list-style-type: none"> <li>• Retirement Totals</li> <li>• Obligated Party retirement requirements</li> </ul>	23-2220-RULE
6 Regulated Entities	<ul style="list-style-type: none"> <li>• Fuel Dealer Registration</li> <li>• Obligated Party Determination</li> <li>• Credit Fulfillment Plan</li> </ul>	23-2220-RULE
7 DDA Criteria	<ul style="list-style-type: none"> <li>• Obligations, Responsibilities, Compensation</li> <li>• Eligibility Requirements and Evaluation Criteria</li> <li>• Number of Default Delivery Agent(s)</li> </ul>	23-2221-INV
8 DDA Budget	Costs and Quantities for the Triennial Budget	23-2221-INV
9 Other	Other topics not included in this list	23-2220-RULE & 23-2221-INV

10 Multiple Topics	Comments addressing multiple topics	23-2220-RULE & 23-2221-INV
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#### IV. Progress with public participation

The Commission appreciates the robust, thoughtful engagement and public participation that it has received so far in the Clean Heat Standard investigation and rulemaking. To date, in the 23-2220-RULE case the Commission has issued seven requests for comment, convened two substantive workshops, and held an information session. In the 23-2221-INV case, the Commission has issued two requests for comment and convened one substantive workshop. In total, the requests for comment have resulted in 153 substantive comments from participants, and all workshops have been well attended.

The Commission looks forward to continued collaboration with all participants, and to engaging new participants with the help of the public engagement facilitator. All parties have been working in good faith to help the Commission design the best possible Clean Heat Standard.

The Commission recognizes that many people and organizations participating in the potential Clean Heat Standard project do not typically interact with the Commission. We further recognize that public participation is a priority for this project. Consequently, the Commission has taken steps to make the organization of this project more accessible. First, the Commission has added a Clean Heat Standard project overview page to its website.<sup>10</sup> This page provides links to important information and separates requests for input, Commission output, and materials for the Technical and Equity Advisory Groups into sections that allow people to find items of interest more quickly. Next, the topics in the table above correspond to topic tags that are included with every order; these tags are intended to make it easier for people to filter the orders on the Commission’s online document-management system, ePUC, so that they can quickly find items pertaining to their topics of interest.<sup>11</sup> Finally, the Commission created the annual registration form for entities that sell fuel into or in Vermont, using fillable form software that allows registrants to answer only the questions that are relevant to their businesses.<sup>12</sup> Registrants do not need to create an account in ePUC to use this form.

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<sup>10</sup> <https://puc.vermont.gov/clean-heat-standard>.

<sup>11</sup> *Procedural Order Creating Topic Tag System for Clean Heat Standard Cases*, Case 23-2220-RULE, Order of 12/07/23.

<sup>12</sup> To view the fuel dealer annual registration form, please see [this website](#). Please do not submit a form unless you are required to register.

## V. Progress in 23-2221-INV case concerning the DDA

On June 30, 2023, the Vermont Public Utility Commission issued an order opening this investigation to establish the Default Delivery Agent (“DDA”) credit cost or costs, the quantity of credits to be generated for the subsequent three years, and all other directly related matters, pursuant to 30 V.S.A. § 8125(e)(1). Topics covered to date include case scope and scheduling and the potential number, obligations, and responsibilities of DDAs.

The case schedule is necessarily aggressive to meet the statutory deadline of appointing one or more DDAs by June 1, 2024.<sup>13</sup> Participants have indicated that the process of selecting one or more DDAs first requires the results of the Department’s potential study, knowledge of the overall amount of clean heat credits that will need to be procured under a Clean Heat Standard program, and specific detail about DDA responsibilities, obligations, and compensation structure. To that end, the Commission is asking the Senate Committee on Natural Resources and Energy to consider changing the deadline for the first DDA designation to come after an affirmative vote on the Clean Heat Standard rule by the Legislature.<sup>14</sup>

The Commission has solicited comment on the obligations and responsibilities of the DDA and the optimal number of DDAs. The Commission issued an order requesting comment on that topic on December 11, 2023. The initial comment deadline of January 16, 2024, was extended to January 19, 2024, at the request of Efficiency Vermont. The Commission also held a public workshop on this topic on January 25, 2024, that was attended by 17 participants. The Commission currently anticipates publishing an order on this topic in early March of 2024.

One request made to the Commission at the January 25 workshop was to not have overlapping comment periods so that participants can give full focus to one topic at a time.<sup>15</sup> Participants further expressed a preference to have three to four weeks per comment period.<sup>16</sup> The current legislative timeline to appoint one or more DDAs by June 1, 2024, requires a much more condensed timeline and does not allow for the three- to four-week comment periods requested by participants. The consequence of these shorter comment periods, according to some participants, is that the quality of design and implementation of the potential Clean Heat Standard will suffer. Participants – here, professional participants with staff – believe that they are not able to provide their best, thoughtful work under the current schedule. Furthermore, they state that they are not able to communicate appropriately with stakeholders given the short comment schedule currently required. Individual participants and small entities may be more constrained than that.

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<sup>13</sup> *Order Addressing Case Scope and Procedures and Seeking Recommendations for Schedule*, Case 23-2221-INV, Order of 10/23/23.

<sup>14</sup> S.306, An act relating to changes to the Clean Heat Standard.

<sup>15</sup> Tr. 1/25/24 at 87 (Westman).

<sup>16</sup> Tr. 1/25/24 at 94 (Westman) and Tr. 1/25/24 at 98 (Poor).

This raises procedural equity concerns that the Commission would like to highlight for the Legislature.

## VI. Progress in 23-2220-RULE case concerning rulemaking

### a. Rulemaking case overview

The Commission opened Case No. 23-2220-RULE on June 30, 2023, to allow for open collaboration on the design of the potential Clean Heat Standard pursuant to Section 6(a) of Act 18. Topics covered in the first six months include annual registration (as discussed in detail below), early action credits, potential revenue streams, clean heat credit ownership, and scheduling. So far, the Commission has received 140 substantive public comments in this case.

The Commission issued an order seeking comment on early action credits on September 18, 2023, and issued an order giving preliminary documentation guidance on December 12, 2023. Full resolution of the early action credit topic requires resolution of credit values and credit ownership. These topics are within the Technical Advisory Group's purview, and it began discussing them at its February 2, 2024, meeting.<sup>17</sup>

The Commission opened the topic of credit ownership for comment on November 17, 2023, and held a workshop on December 15, 2023. The initial comment deadline was January 2, 2024, and the deadline was extended to January 16, 2024, at the request of the Department of Public Service. The statute requires the Commission to consult with the Technical Advisory Group to establish the methodology for credit ownership, and the Commission is actively working on this topic as we await the Technical Advisory Group's input.<sup>18</sup> The Technical Advisory Group is currently developing its proposed sequence of work. This group is crucial to the critical path of this rulemaking and has a substantial workload over the next eight months.

The topics in this case are closely intertwined. For instance, the question of credit ownership interacts with credit values, the enumeration of clean heat measures, and a calculation of their lifecycle emissions; these topics depend on future work by the Technical Advisory Group and the Commission's technical consultant.<sup>19</sup> The aggressive statutory timeline and the time needed for government hiring mean that decisions in this rulemaking must be made out of ideal sequence. In a perfect world, the Department's potential study and the technical consultant's clean heat measure characterizations (including lifecycle emissions) would be completed at the beginning of the process instead of nearly at the end.<sup>20</sup> As future decisions bring more information to light, the

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<sup>17</sup> 30 V.S.A. § 8128(a)(2); 30 V.S.A. § 8127(b),(c); Technical Advisory Group meeting materials from 2/2/24 available at <https://puc.vermont.gov/document/tag-meeting-materials/020224>.

<sup>18</sup> 30 V.S.A. § 8127(b).

<sup>19</sup> 30 V.S.A. § 8127(c); 30 V.S.A. § 8128(a) and (c).

<sup>20</sup> See Appendix C of this document for the current draft schedule in case 23-2220-RULE.

Commission will need to reevaluate earlier decisions to make sure that there are no unintended consequences. This kind of deliberation, with careful attention to detail, takes time to do well.

### b. Annual fuel dealer registration

Commission staff began consideration of annual fuel dealer registration requirements pursuant to 30 V.S.A. § 8124(b) and annual registration form technology in late September of 2023. Act 18 requires “[e]ach entity that sells heating fuel into or in Vermont” (“fuel dealers”) to register with the Commission on or before January 31, 2024.<sup>21</sup> The Commission was required to create a registration form to gather all data necessary to determine whether a registering entity would be an obligated party under the potential Clean Heat Standard.<sup>22</sup> The registration form will also be used to determine an obligated party’s annual clean heat credit requirement. For those fuel dealers who are *not* obligated parties, this annual registration requirement is their only obligation under Act 18. The Commission issued an order seeking public recommendations on necessary annual registration information on October 23, 2023. The Commission publicized what information it would request on December 15, 2023, and opened the annual registration on January 17, 2024.

The Commission developed an online form for registration that is responsive to the registrants’ input so that questions that are not relevant to a particular business need not be answered by that business. Almost all registrants who filed by the January 31, 2024, deadline used this form. The Commission held an “office hours” public meeting with more than 70 attendees on January 23, 2024, to answer technical questions about the form. None of those attendees had technical questions about the mechanics of the form. Instead, attendees expressed uncertainty and concern about multiple topics, including what the statute meant by “compounded” fuel and how that differs from blended fuel, their anticipated inability to submit required information on time during the busiest part of heating season, the ambiguity about whether some types of heating fuels were ultimately consumed in the thermal sector, and concerns about confidential treatment of registration information.<sup>23</sup>

The Commission was able address some of these concerns by updating the frequently asked questions (FAQs) information on the Commission’s website and in a memorandum issued on January 26, 2024; issuing an order establishing a one-month grace period for the first year’s

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<sup>21</sup> 30 V.S.A. § 8124(b)(1). *See also* 30 V.S.A. § 8123(11), “‘Heating fuel’ means fossil-based heating fuel, including oil, propane, natural gas, coal, and kerosene.”

<sup>22</sup> “Obligated party” is defined in 30 V.S.A. § 8123(12) as “[a] regulated natural gas utility serving customers in Vermont [or,] [f]or other heating fuels, the entity that imports heating fuel for ultimate consumption within the State, or the entity that produces, refines, manufactures, or compounds heating fuel within the State for ultimate consumption within the State. For the purpose of this section, the entity that imports heating fuel is the entity that has ownership title to the heating fuel at the time it is brought into Vermont.”

<sup>23</sup> *See* 30 V.S.A. § 8123(12)(B).

registration on January 26, 2024; and issuing an order granting confidential treatment of some registration information on January 24, 2024.

Pursuant to 30 V.S.A. § 8124(b)(1), the annual registration deadline was January 31, 2024. As of that date, the Commission received 62 registrations via the online form and three registrations by mail. The Commission is currently processing the 2024 registration information. The Commission is aware that we must verify that we are capturing all obligated entities in a new-to-us population. We are working with the Department of Taxes and other organizations as appropriate and expect several more registrations during the provided grace period. However, this is particularly challenging with out-of-state entities, especially wholesalers with business structures that are not subject to the fuel tax on retail sales. Missing these entities would make the system less equitable for those entities who do register appropriately because the annual requirements for appropriately registered entities would be larger if entities were missed than if all entities were included. Clean Heat Standard annual registration, much like the tax system, relies on entities to comply voluntarily with a program that may cost them. It is likely that annual registration data will have an equivalent of the tax gap – a set of entities that do not report in good faith and against which the State can only pursue enforcement if we discover their existence through some other means.<sup>24</sup>

The Commission also plans to hold a “lessons learned” workshop with annual registration participants to solicit feedback, build on existing successes, and improve the annual registration process for next year.

## VII. Project scope

The Commission has laid out the scope of the project as envisioned in Act 18. The following table presents a high-level distillation of that work and shows topic areas, but it does not show the research, public comment periods, workshops, or sub-tasks necessary to complete those topics. The Technical Advisory Group and the technical consultant are still developing their respective schedules, neither of which are included in this table.

This table is limited to the scope of work that remains in the potential Clean Heat Standard project as of January 2024. Times indicated in these tables correspond to the scheduling orders in each of the above cases. The table reflects the Commission’s upcoming order amending the schedule in 23-2221-INV by moving all activities related to DDA criteria out by approximately 28 days.<sup>25</sup> These amendments were discussed at the January 25, 2024, workshop to accommodate extensions requested by participants in December. The table also contains the following assumptions: The Commission continues to engage in a robust, transparent, public-facing

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<sup>24</sup> For a brief explanation of the tax gap, see Vermont Department of Taxes, *Mission, Goals, and Values*, p. 1. <https://tax.vermont.gov/sites/tax/files/documents/VDT%20Mission%20Goals%20and%20Values-2024.pdf>.

<sup>25</sup> *Order Amending Schedule*, Case 23-2221-INV, Draft order.

process for developing all aspects of the Clean Heat Standard program; public comment periods are limited to two weeks and reply comment periods to one week for most topics; and there are no delays in deliverables from any individuals or groups involved in the project. This table does not include public hearings held at the direction of the public engagement facilitator, limited topics for which the Commission does not anticipate public comment, and reports related to the formal rulemaking process, such as economic and environmental impact assessments.

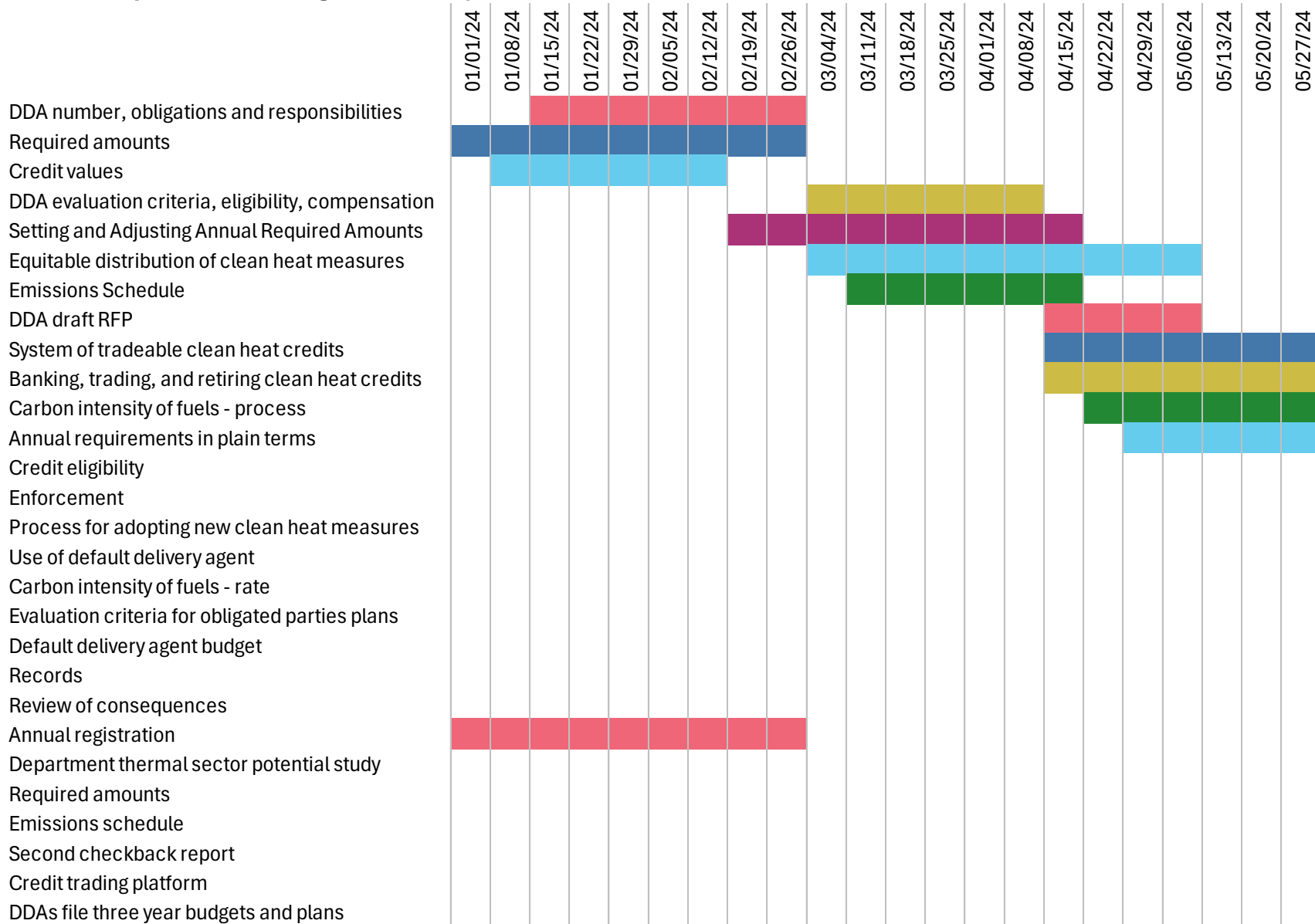
To meet the required timeline, the schedule depicted in this table challenges participants to engage with as many as eight different topics at once in several weeks through the spring and summer of 2024. Participants have already requested that the Commission not engage on more than two topics in a week.<sup>26</sup> The fast-paced work completed so far has typical engagement of not more than three topics per week.

The table begins on the next page; topic areas are repeated on each new page.

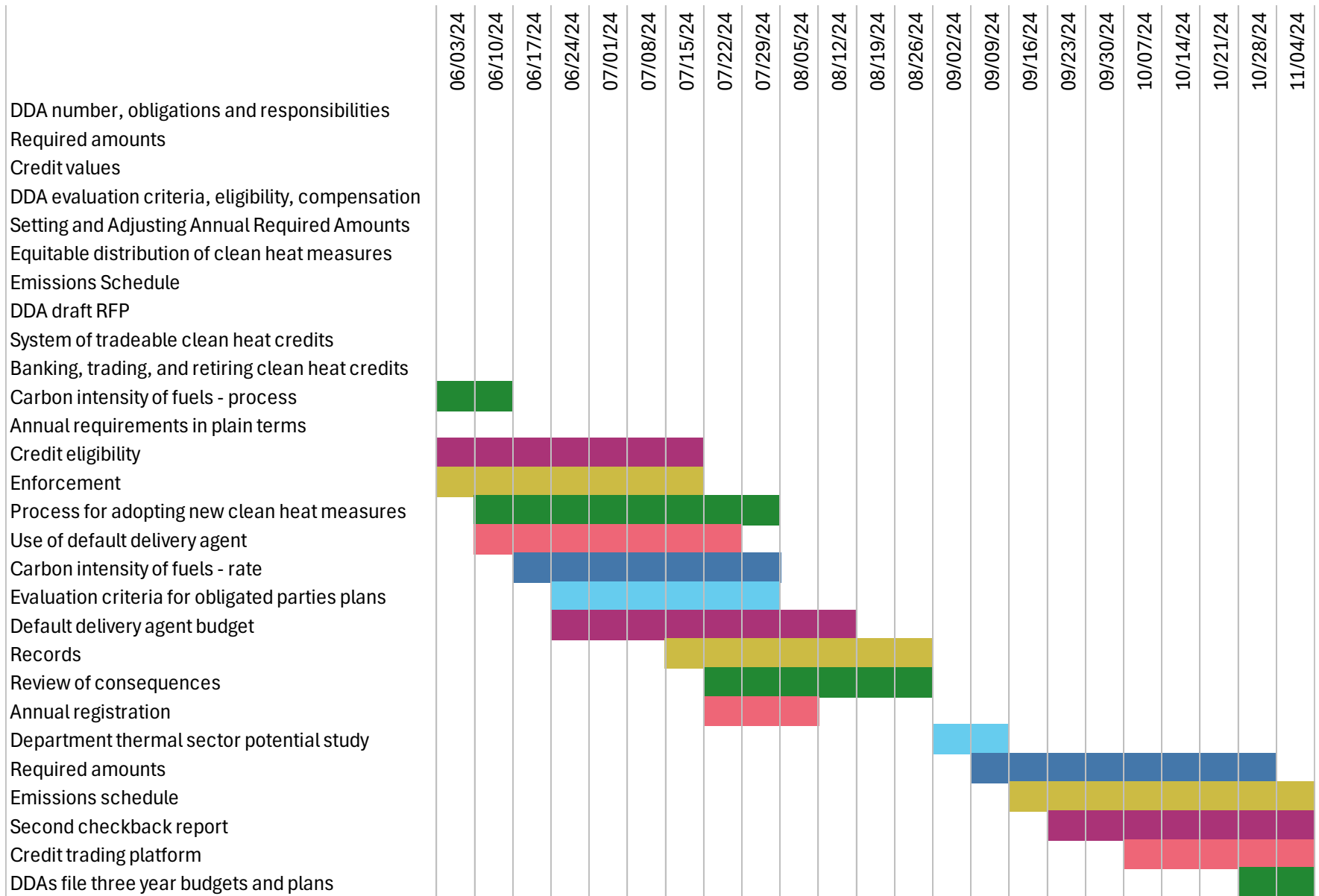
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<sup>26</sup> Thomas Weiss comments of 1/12/24 at 2.

## CHS Anticipated Remaining Activities by Week







	11/11/24	11/18/24	11/25/24	12/02/24	12/09/24	12/16/24	12/23/24	12/30/24	01/06/25	01/13/25	01/20/25	01/27/25
DDA number, obligations and responsibilities												
Required amounts												
Credit values												
DDA evaluation criteria, eligibility, compensation												
Setting and Adjusting Annual Required Amounts												
Equitable distribution of clean heat measures												
Emissions Schedule												
DDA draft RFP												
System of tradeable clean heat credits												
Banking, trading, and retiring clean heat credits												
Carbon intensity of fuels - process												
Annual requirements in plain terms												
Credit eligibility												
Enforcement												
Process for adopting new clean heat measures												
Use of default delivery agent												
Carbon intensity of fuels - rate												
Evaluation criteria for obligated parties plans												
Default delivery agent budget												
Records												
Review of consequences												
Annual registration												
Department thermal sector potential study												
Required amounts												
Emissions schedule												
Second checkback report												
Credit trading platform												
DDAs file three year budgets and plans												

## VIII. Conclusion

Vermont has a national reputation for creating and implementing innovative, reasoned solutions to emergent energy challenges and opportunities. As a state, we have decades of experience applying resourceful thinking to the design, implementation, administration, and evaluation of energy programs. Through Act 18, Vermont lawmakers have directed the Vermont Public Utility Commission to engage with stakeholders and members of the public to apply our collective knowledge and creativity to the design of a first-of-its-kind regulatory framework that would apply to Vermont’s heating fuel sector. The Commission intends to meet this charge in the time allowed. Even so, we are compelled to report that many participants, including key stakeholders with relevant and necessary expertise, find that the schedule required by statute is untenable and will preclude a thoughtful approach. With more time, the Commission would be able to move forward in concert with the *Guiding Principles for a Just Transition*, have time to better analyze the multiple impacts of this program – along with potential unintended consequences of various design decisions – and deliver a higher-quality product that aligns with Vermont’s environmental justice law.

## Appendix A: History of PUC Case No. 23-2220-RULE and Case No. 23-2221-RULE

**Clean Heat Standard Output to Date by Week**

Week of	Item
	● Installed clean heat measures become eligible for credit
	● Act 18 becomes law
06/26/23	● Order Opening Proceeding to Design the Potential Clean Heat Standard
	● Order Opening Investigation
	● Default delivery agent proceeding opened
07/03/23	
07/10/23	
07/17/23	● Order Granting Extension of First Comment Deadline
07/24/23	
07/31/23	● Rulemaking/implementation proceeding opened
08/07/23	
08/14/23	First CHS dedicated staff member starts
08/21/23	Second CHS dedicated staff member starts
08/28/23	
09/04/23	
09/11/23	● State of Vermont Request for Proposals for a Public Engagement Facilitator for the Vermont Public Utility Commission
	Third CHS dedicated staff member starts
09/18/23	● Order Requesting Comments on Early Action Credits
	● Public Utility Commission Solicitation for Applicants for Equity Advisory Group
	● Public Utility Commission Solicitation for Applicants for Technical Advisory Group
	● Press Release re: VT PUC Seeks Members to Serve on Clean Heat Standard Advisory Groups
09/25/23	● Request for Proposals for a Clean Heat Measure Characterization Technical Consultant for the proposed Clean Heat Standard with the Vermont Public Utility Commission
10/02/23	Outlining tasks and setting preliminary internal schedule
10/09/23	
10/16/23	

- 10/23/23 ● Order Seeking Recommendations for Annual Registration Form
- Order Addressing Case Scope and Procedures and Seeking Recommendations for Schedule
- 10/30/23 ● Order Seeking Recommendations for Funding Report
- 11/06/23
- 11/13/23 ● Order Announcing Appointees to the Technical and Equity Advisory Groups
- Order Seeking Comments on Technical Advisory Group Procedures
- Order Requesting Comments on Clean Heat Credit Ownership
- 11/20/23 ● Order Granting Extension of Comments on suggested revenue streams
- Announcement re: VT PUC Launches Website to Boost Accessibility of Clean Heat Proceedings
- Notice of Equity Advisory Group Meeting on November 29, 2023
- Memorandum re: Technical Correction to 11/16/23 Order
- Notice of Equity Advisory Group Meeting on November 29, 2023
- 11/27/23 ● Notice of Technical Advisory Group Meeting on December 11, 2023
- 12/04/23 ● Procedural Order Creating Topic Tag System for Clean Heat Standard Cases
- Notice of Workshop re: potential credit ownership structures via videoconference
- Order Adopting Schedule
- 12/11/23 ● Order Requesting Comments on Default Delivery Agent Obligations, Responsibilities and Number
- Order Addressing Early Action Credits
- Notice of Workshop re: Funding Streams via videoconference
- Order Seeking Comments on Equity Advisory Group Procedures
- Order Addressing Annual Registration
- 12/18/23 ● Order Granting Efficiency Vermont Extension Request
- Order Granting Extension of Reply Comment Deadline
- Order Requesting Comments on Draft Schedule
- Attachment to Comment Request Order re: Draft Schedule-Excel version of schedule

12/25/23	●	Order Establishing Reply Comment Period for Funding Streams Report
01/01/24	●	Notice of Equity Advisory Group Meeting on 1/11/24
01/08/24	●	Notice of Technical Advisory Group Meeting on January 19, 2024
01/15/24	●	Notice of Information Session via videoconference on How to Use the Fuel Dealers Registration Form
	●	Order Addressing Requirement For Annual Registration
	●	Press Release re: VT PUC Announces Fuel Dealer Annual Registration
	●	Notice of Workshop re: Potential Number, Obligations, and Responsibilities of DDA(s) via videoconference
01/22/24	●	Order Granting Confidential Treatment of Registration Information
	●	Memorandum re: Notice of 2/2/24 Technical Advisory Group Meeting with videoconference information
	●	Memorandum re: Notice of 1/30/24 Equity Advisory Group Meeting with videoconference information
	●	Order Establishing Grace Period for Annual Registration
	●	Memorandum re: Update of FAQs for fuel dealer annual registration form
01/29/24	●	Fuel dealers register with Public Utility Commission
02/05/24		
02/12/24	●	Report on suggested revenue streams
	●	First checkback report to General Assembly

**Key**

Topic Tag	
●	0 Procedural Issues
●	1 Advisory Groups
●	2 Measure Characterization
●	3 Credit Creation
●	6 Regulated Entities
●	7 DDA Criteria
●	9 Other
●	10 Multiple Topics
●	Act 18 Deadline

## Appendix B: Participants in PUC Case Nos. 23-2220-RULE and 23-2221-INV

### PUC Case No. 23-2220-RULE - SERVICE LIST

Ashley Adams, *pro se*

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## PUC Case No. 23-2221-INV - SERVICE LIST

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## Appendix C: Current schedule in Case No. 23-2220-RULE

The schedule in this case does not yet incorporate public comment received for the January 12, 2024, comment deadline.<sup>27</sup> The version shown here allows two weeks for comment periods and one week for reply comment periods; comment periods overlap. This version does not show the economic impact analysis, environmental impact analysis, or any other reports necessary for the formal rulemaking. Workshops coordinated by the Commission’s public engagement facilitator will be added once that schedule is set.

Multiple topics in this draft schedule include an opportunity for the Commission to issue a decision. Although certain topics may require or benefit from an interim decision, other topics that currently indicate an opportunity for a Commission decision may ultimately be resolved by the Commission and communicated to participants through the draft rule.

### **Statutory Topic: Required amounts (30 V.S.A. § 8124(a))**

January 4, 2024	PUC issues Request for Comment
January 26, 2024	First Comments Due
February 5, 2024	Workshop
February 14, 2024	Reply Comments Due
March 1, 2024	Target Date for PUC Decision

This task will address the process for setting the total retirement schedule under 30 V.S.A. § 8124(a).

### **Statutory Topic: Annual registration (30 V.S.A. § 8124(b))**

January 23, 2024	Workshop
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Presentation by PUC staff on how to use the annual registration form.

### **Statutory Topic: Credit values (30 V.S.A. § 8127(c) and (i))**

February 8, 2024	PUC issues Request for Comment
March 4, 2024	Consult with TAG
March 15, 2024	First Comments Due

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<sup>27</sup> Order Requesting Comments on Draft Schedule, Case 23-2220-RULE, Order of 12/21/24.

This task will address the process for setting clean heat measure credit values and time stamps. Ultimately, these values will be significantly informed by the work of the Commission’s technical consultant and the Technical Advisory Group.

**Statutory Topic: Setting and Adjusting Annual Required Amounts (30 V.S.A. § 8124(a))**

February 22, 2024	PUC issues Request for Comment
March 8, 2024	First Comments Due
March 15, 2024	Workshop
March 25, 2024	Reply Comments Due
April 2, 2024	Consult with advisory groups
April 19, 2024	Target Date for PUC Decision

This task will address the process for setting and adjusting individual obligated parties’ annual required amounts under 30 V.S.A. § 8124(a).

**Statutory Topic: Equitable distribution of clean heat measures (30 V.S.A. § 8124(d))**

March 7, 2024	PUC issues Request for Comment
March 19, 2024	Consult with EAG
April 3, 2024	First Comments Due
April 12, 2024	Workshop
April 26, 2024	Reply Comments Due
May 10, 2024	Target Date for PUC Decision

This task will address considerations of 30 V.S.A. § 8124(d) related to the equitable distribution of clean heat measures and the process and criteria for altering the statutory percentages.

**Statutory Topic: Emissions Schedule (30 V.S.A. § 8127(g))**

March 14, 2024	PUC issues Request for Comment
March 28, 2024	First Comments Due
April 9, 2024	Workshop
April 19, 2024	Reply Comments Due

This task will address the process for establishing a schedule of lifecycle emission rates for heating fuels and any fuel that is used in a clean heat measure. The emissions schedule will

ultimately be informed by the work of the Commission’s technical consultant and the Technical Advisory Group.

**Statutory Topic: System of tradeable clean heat credits (30 V.S.A. § 8127(a))**

April 18, 2024	PUC issues Request for Comment
May 3, 2024	First Comments Due
May 10, 2024	Workshop
May 17, 2024	Reply Comments Due
May 31, 2024	Target Date for PUC Decision

This task will address the system of tradeable clean heat credits required by 30 V.S.A. § 8127(a). In particular, this task will address the process for the recognition, approval, and monitoring of clean heat credits, as well as the process for verification of clean heat credit claims that will be performed by the Department of Public Service.

**Statutory Topic: Carbon intensity of fuels (30 V.S.A. § 8127(f)(2))**

April 23, 2024	Consult with TAG
May 9, 2024	PUC issues Request for Comment
May 24, 2024	First Comments Due
June 14, 2024	Target Date for PUC Decision

This task will address the process for the Commission to consider the rate at which the carbon intensity of fuels will decrease annually for liquid and gaseous clean heat measures.

**Statutory Topic: Carbon intensity of fuels (30 V.S.A. § 8127(f)(2))**

June 21, 2024	Consult with TAG
July 5, 2024	PUC issues Request for Comment
July 18, 2024	First Comments Due
August 2, 2024	Target Date for PUC Decision

This task will establish and publish the rate at which the carbon intensity of fuels will decrease annually for liquid and gaseous clean heat measures.

**Statutory Topic: Banking, trading, and retiring clean heat credits (30 V.S.A. §§ 8124(e) and 8127(l))**

April 18, 2024	PUC issues Request for Comment
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May 3, 2024	First Comments Due
May 10, 2024	Workshop
May 17, 2024	Reply Comments Due
May 31, 2024	Target Date for PUC Decision

This task will address rules and processes regarding banking, trading, and retiring clean heat credits.

**Statutory Topic: Credit eligibility (30 V.S.A. § 8127(k))**

June 6, 2024	PUC issues Request for Comment
June 21, 2024	First Comments Due
June 27, 2024	Consult with EAG
July 19, 2024	Target Date for PUC Decision

This task will address eligibility and other requirements of clean heat measures that derive from other State and federal programs.

**Statutory Topic: Enforcement (30 V.S.A. § 8124(f))**

June 6, 2024	PUC issues Request for Comment
June 21, 2024	First Comments Due
July 5, 2024	Reply Comments Due
July 19, 2024	Target Date for PUC Decision

This task will address the PUC’s enforcement of the statutory requirements, including the process and criteria for waiver of noncompliance payments.

**Statutory Topic: Review of consequences (30 V.S.A. § 8127(h))**

July 25, 2024	PUC issues Request for Comment
August 8, 2024	First Comments Due
August 19, 2024	Consult with EAG
August 30, 2024	Target Date for PUC Decision

This task will address the process and information required for the Commission’s biennial assessment of harmful consequences that may arise from the implementation of certain clean heat measures.

**Statutory Topic: Process for adopting new clean heat measures (30 V.S.A. § 8123(3))**

June 13, 2024	PUC issues Request for Comment
June 28, 2024	First Comments Due
July 5, 2024	Workshop
July 12, 2024	Reply Comments Due
August 2, 2024	Target Date for PUC Decision

This task will address the process for consideration of acceptable actions that may qualify as clean heat measures.

**Statutory Topic: Records (30 V.S.A. § 8124(g))**

July 18, 2024	PUC issues Request for Comment
August 2, 2024	First Comments Due
August 14, 2024	Reply Comments Due
August 30, 2024	Target Date for PUC Decision

This task will address the requirements for the types of records to be submitted by obligated parties, a record retention schedule for required records, and a process for verification of compliance records and data.

**Statutory Topic: Use of default delivery agent (30 V.S.A. § 8125(d))**

June 13, 2024	PUC issues Request for Comment
June 28, 2024	First Comments Due
July 12, 2024	Reply Comments Due
July 17, 2024	Workshop
July 26, 2024	Target Date for PUC Decision

This topic will address the process, schedule, and criteria for review of the obligated parties' plans to meet annual requirements.

**Statutory Topic: Annual registration (30 V.S.A. § 8124(b))**

July 25, 2024	PUC issues Request for Comment
August 9, 2024	First Comments Due
August 21, 2024	Reply Comments Due
September 6, 2024	Target Date for PUC Decision

This task will address codification of the annual registration information, lessons learned from the first year of registration, and consideration of the annual deadline for registration.

**Statutory Topic: Required amounts (30 V.S.A. § 8124(a), Sec. 6(h)(5) of Act 18)**

September 9, 2024	PUC issues Request for Comment
September 25, 2024	First Comments Due
October 7, 2024	Reply Comments Due
October 14, 2024	Consult with EAG
October 14, 2024	Consult with TAG
October 31, 2024	Target Date for PUC Decision

This task will establish the first set of annual required amounts for obligated parties, which must be included in the final proposed rulemaking.

**Statutory Topic: Annual requirements in plain terms (30 V.S.A. § 8124(a)(2))**

May 2, 2024	PUC issues Request for Comment
May 13, 2024	Consult with EAG
May 17, 2024	First Comments Due
May 31, 2024	Target Date for PUC Decision

This task will address how to ensure understanding in plain terms among obligated parties of the annual requirements.

**Statutory Topic: Emissions schedule (30 V.S.A. § 8127(g))**

September 16, 2024	PUC issues Request for Comment
October 4, 2024	First Comments Due
October 21, 2024	Reply Comments Due
October 25, 2024	Consult with TAG
November 8, 2024	Target Date for PUC Decision

This task will address the establishment, and a process for subsequent amendment, of a schedule of lifecycle emission rates for heating fuels and any fuel that is used in a clean heat measure, including electricity, or is itself a clean heat measure, including biofuels.

**Statutory Topic: Default delivery agent budget (30 V.S.A. § 8125(e))**

June 27, 2024	PUC issues Request for Comment
July 15, 2024	First Comments Due
July 23, 2024	Consult with TAG
July 31, 2024	Reply Comments Due
August 15, 2024	Target Date for PUC Decision

This task will address the process for review of default delivery agent three-year plans and budgets. This schedule is consistent with the current schedule for this task as detailed in Case No. 23-2221-INV.

**Statutory Topic: Second checkback report (Sec. 5(i) of Act 18)**

September 26, 2024	PUC issues Request for Comment
October 11, 2024	First Comments Due
October 22, 2024	Workshop
November 1, 2024	Reply Comments Due
January 15, 2025	Issue Report

This task will address the information required to be included in the second checkback report, as well as information that is required to be filed as part of the administrative rulemaking process.

**Statutory Topic: Credit trading platform (30 V.S.A. § 8127(l))**

October 10, 2024	PUC issues Request for Comment
October 25, 2024	First Comments Due
November 15, 2024	Issue Draft RFP for Comment
December 6, 2024	Comments on RFP Due
January 31, 2025	Issue RFP

This task will address the functions and capabilities of the administrative system to register, sell, transfer, and trade credits to obligated parties.

## Appendix D: Current schedule in Case No. 23-2221-INV

### Track 1 Schedule---DDA criteria<sup>28</sup>

January 19, 2024	Deadline for written comments addressing the possible number of DDAs, as well as DDA obligations and responsibilities
January 25, 2024	Workshop to discuss January 19 written filings
February 13, 2024	Deadline for written reply comments addressing January 19 filings and January 25 workshop
March 1, 2024	Target date for Commission decision on possible number of DDAs and DDA obligations and responsibilities
March 8, 2024	Deadline for written comments addressing DDA evaluation criteria, eligibility, and compensation structure
Week of March 11, 2024	Workshop addressing March 8 filings
March 25, 2024	Deadline for written reply comments addressing March 8 comments and workshop discussion
April 12, 2024	Target date for Commission decision on DDA evaluation criteria, eligibility, and compensation structure
April 19, 2024	Target date for draft RFP for DDA(s)
April 29, 2024	Deadline for written comments on (1) draft RFP, (2) recommendations for process to review and appoint DDA(s)
May 10, 2024	Target date for Commission decision on process to review and appoint DDA(s) and issuing RFP

The solicitation, review, and appointment of DDAs will occur in a separate proceeding.<sup>29</sup>

### Track 2 Schedule---DDA budgets, plans, and credit cost

June 28, 2024	Deadline for written comments on evaluation criteria for obligated parties' plans to deliver clean heat programs
July 12, 2024	Deadline for written reply comments on June 28 filings

<sup>28</sup> Order Amending Schedule, Case 23-2221-INV, Draft order.

<sup>29</sup> Case No. 23-2221-INV, Order of 6/30/23 at 3 n 6; Order of 10/23/23 at 3.



Week of July 15, 2024	Workshop on June 28 and July 12 filings, <i>if needed</i>
August 2, 2024	Target date for Commission decision on evaluation criteria for obligated parties' plans to deliver clean heat programs
September 3, 2024	Department files thermal sector potential study
Week of September 9, 2024	Workshop presentation by Department of thermal sector potential study
November 1, 2024	<ul style="list-style-type: none"> <li>• DDA(s) file three-year budgets and plans, accompanied by testimony and other evidence, as appropriate</li> <li>• Deadline for written schedule proposals for review and adjudication of DDA budgets and plans. Proposals should include at least the following elements: (1) opportunity for a workshop presentation, (2) reply testimony and evidence, and (3) evidentiary hearing.</li> </ul>
Week of November 4, 2024	Scheduling conference to discuss schedule for review of DDA plans and budgets