

1 H.715

2 Introduced by Committee on Energy and Technology

3 Date:

4 Subject: Climate change; air pollution; renewable energy; heating; fuel

5 Statement of purpose of bill as introduced: This bill proposes to establish the
6 Clean Heat Standard to reduce Vermont's greenhouse gas emissions from the
7 thermal sector. The Clean Heat Standard shall be administered by the Public
8 Utility Commission with assistance from the Clean Heat Standard Technical
9 Advisory Group and the Equity Advisory Group.

10 An act relating to the Clean Heat Standard

11 It is hereby enacted by the General Assembly of the State of Vermont:

12 ~~Sec. 1. FINDINGS~~

13 The General Assembly finds:

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

17 (2) Under the Vermont Global Warming Solutions Act of 2020 and
18 10 V.S.A. § 578, Vermont has a legal obligation to reduce greenhouse gas
19 emissions to specific levels by 2025, 2030, and 2050.

1 ~~(3) The Vermont Climate Council was established under the Vermont~~
2 ~~Global Warming Solutions Act of 2020 and was tasked with, among other~~
3 ~~things, recommending necessary legislation to reduce greenhouse gas~~
4 ~~emissions. The Initial Vermont Climate Action Plan calls for the General~~
5 ~~Assembly to adopt legislation authorizing the Public Utility Commission to~~
6 ~~administer the Clean Heat Standard consistent with the recommendations of~~
7 ~~the Energy Action Network's Clean Heat Standard Working Group.~~

8 (4) As required by the Vermont Global Warming Solutions Act of 2020,
9 the Vermont Climate Council published the Initial Vermont Climate Action
10 Plan on December 1, 2021. As noted in that plan, over one-third of Vermont's
11 greenhouse gas emissions come from the thermal sector. Approximately
12 72 percent of Vermont's thermal energy use is fossil-based, including
13 43 percent from the combustion of fossil gas and propane and 29 percent from
14 the burning of heating oil.

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

1 ~~Sec. 2. 30 V.S.A., chapter 94 is added to read:~~

2 CHAPTER 94. CLEAN HEAT STANDARD

3 § 8121. CLEAN HEAT STANDARD

4 (a) The Clean Heat Standard is established. Under this program, obligated
5 parties shall reduce greenhouse gas emissions attributable to the Vermont
6 thermal sector by requiring required amounts of clean heat credits to meet the
7 thermal sector portion of the greenhouse gas emission reduction obligations of
8 the Global Warming Solutions Act.

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

12 (c) An obligated party may obtain the required amount of clean heat credits
13 through delivery of eligible clean heat measures, through contracts for delivery
14 of eligible clean heat measures, through the market purchase of clean heat
15 credits, or through delivery of eligible clean heat measures by a designated
16 statewide default delivery agent.

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

19 § 8122. DEFINITIONS

20 As used in this Chapter,

1 ~~(1) "Clean heat credit" means a tradeable, non-tangible commodity that~~
2 ~~represents the amount of greenhouse gas reduction caused by a clean heat~~
3 ~~measure. The Commission shall establish a system of recognition for clean~~
4 ~~heat credits pursuant to this chapter.~~

5 ~~(2) "Clean heat measure" means fuel and technologies delivered and~~
6 ~~installed to end-use customers in Vermont that reduce greenhouse gas~~
7 ~~emissions. Clean heat measures shall not include switching from one fossil~~
8 ~~fuel use to another fossil fuel use. The Commission may adopt a list of~~
9 ~~acceptable actions that qualify as clean heat measures.~~

10 ~~(3) "Commission" means the Public Utility Commission.~~

11 ~~(4) "Default delivery agent" means the entity designated by the~~
12 ~~Commission to provide services that generate tradeable clean heat credits.~~

13 ~~(5) "Entity" means any individual, trustee, agency, partnership,~~
14 ~~association, corporation, company, municipality, political subdivision, or any~~
15 ~~other form of organization.~~

16 ~~(6) "Heating fuel" means fossil-based heating fuel, including oil,~~
17 ~~propane, natural gas, coal, and kerosene.~~

18 ~~(7) "Obligated party" means:~~

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

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

1 ~~(8) “Thermal sector” has the same meaning as the “Residential,~~
2 ~~Commercial and Industrial Fuel Use” sector as used in the Vermont~~
3 ~~Greenhouse Gas Inventory and Forecast.~~

4 § 8123. CLEAN HEAT STANDARD COMPLIANCE

5 (a) Required amounts.

6 (1) The Commission shall establish the number of clean heat credits that
7 each obligated party is required to retire each calendar year. The size of the
8 annual requirement shall be set at a pace sufficient for Vermont’s thermal
9 sector to achieve lifecycle carbon dioxide equivalent (CO₂e) emission
10 reductions consistent with the requirements of 10 V.S.A. § 578(a) expressed as
11 lifecycle greenhouse gas emissions pursuant to subsection 8124(d) of this title.

12 (2) Annual requirements shall be expressed as a percent of each
13 obligated party’s contribution to the thermal sector’s lifecycle CO₂e emissions
14 in the previous year with the annual percentages being the same for all parties.
15 To ensure understanding among obligated parties, the Commission shall, in a
16 timely manner, publicly provide a description of the annual requirements in
17 plain terms.

18 (3) The Commission may adjust the annual requirements for good cause
19 after notice and opportunity for public process. Good cause may include a
20 shortage of clean heat credits or undue adverse financial impacts on particular

1 ~~customers or demographic segments. Any downward adjustment shall be~~
2 ~~allowed for only a short, specified period.~~

3 (4) To support the ability of the obligated parties to plan for the future,
4 the Commission shall establish annual clean heat credit requirements for
5 10 years with the required amounts being updated so 10 years' worth of
6 requirements are always available. Every three years, the Commission shall
7 extend the requirements three years, shall assess emission reductions actually
8 achieved in the thermal sector, and, if necessary, revise the pace of clean heat
9 credit requirements for future years to ensure that the thermal sector portion of
10 the emission reduction requirements of 10 V.S.A. § 578(a) for 2030 and 2050
11 will be achieved.

12 (b) Annual registration.

13 (1) Each entity that sells heating fuel in or into Vermont shall register
14 annually with the Commission by an annual deadline established by the
15 Commission. The form and information required in the registration shall be
16 determined by the Commission and shall include all data necessary to establish
17 annual requirements under this chapter. The Commission shall use the
18 information provided in the registration to determine whether the entity shall
19 be considered an obligated party and the amount of their annual requirement.

20 (2) At a minimum, the Commission shall require registration
21 information to include legal name, doing business as name if applicable,

1 ~~municipality, state, type of heating fuel sold, and the volume of sales of~~
2 heating fuels into or in the State for final sale or consumption in the State in
3 the calendar year immediately preceding the calendar year in which the entity
4 is registering with the Commission.

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

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

15 (5) For any entity not registered, the first registration form shall be due
16 30 days after the first sale of heating fuel to a location in Vermont.

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

19 (c) Early action credits. Beginning on January 1, 2022, clean heat
20 measures that are installed and provide emission reductions are creditable and
21 therefore count towards the future clean heat credit requirements of the

1 ~~obligated party. Upon the establishment of the clean heat credit system,~~

2 ~~entities may register credits for actions taken starting in 2022.~~

3 (d) Equitable distribution of clean heat measures.

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

10 (2) A substantial portion of clean heat credits retired by each obligated
11 party shall be sourced from clean heat measures delivered to low-income and
12 moderate-income customers. The portion of each obligated party's required
13 amount needed to satisfy the annual Clean Heat Standard requirement shall be
14 at least 16 percent from low-income customers and 16 percent from moderate-
15 income customers. The definitions of low-income customer and moderate-
16 income customer shall be set by the Commission in consultation with equity
17 stakeholders and in alignment with other existing definitions. The
18 Commission may consider frontloading the credit requirements for low-
19 income and moderate-income customers so that the greatest proportion of
20 clean heat measures reach low-income and moderate-income Vermonters in the
21 earlier years. In order to best serve low-income and moderate-income

1 ~~customers, the Commission shall have authority to change these portions and~~
2 the criteria used to define low-income and moderate-income customers for
3 good cause, after notice and opportunity for public process.

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

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

12 (f) Default delivery agent.

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

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

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

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

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

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

16 (g) Enforcement.

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

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

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

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

16 (i) Reports.

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

1 ~~(2) After the adoption of the order implementing this chapter, the~~
2 Commission shall submit a written report to the standing committees detailing
3 the efforts undertaken to establish the Clean Heat Standard pursuant to this
4 chapter.

5 (3) On or before August 31 of each year following the year in which the
6 order is first adopted under this section, the Commission shall submit to the
7 standing committees a written report detailing the implementation and
8 operation of the Clean Heat Standard. This report shall include an assessment
9 on the equitable adoption of clean heat measures required by subsection (d) of
10 this section, along with recommendations to increase participation for the
11 households with the highest energy burdens. The provisions of 2 V.S.A.
12 § 20(d) (expiration of required reports) shall not apply to the report to be made
13 under this subsection.

14 § 8124. TRADEABLE CLEAN HEAT CREDITS

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

1 ~~perform the verification of clean heat credit claims and submit results of the~~
2 verification and evaluation to the Commission annually.

3 (b) Clean heat credits shall be based on the lifecycle CO₂e emission
4 reductions that result from the delivery of eligible clean heat measures to end-
5 use customer locations in or into Vermont. Eligible clean heat measures
6 delivered to or installed in Vermont shall include:

7 (1) thermal energy efficiency improvements and weatherization;

8 (2) the supply of sustainably sourced biofuels;

9 (3) renewable natural gas and low-emission advanced gases;

10 (4) the installation of cold-climate heat pumps and efficient electric
11 appliances providing thermal end-uses;

12 (5) advanced wood heating appliances and systems; and

13 (6) renewable energy-based district heating services.

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

20 (d) To promote certainty for obligated parties and clean heat providers, the
21 Commission shall, by rule or order, establish a schedule of lifecycle emission

1 ~~rates for heating fuels and eligible clean heat measures. The schedule shall be~~
2 based on transparent and accurate emissions accounting adapting the Argonne
3 National Laboratory GREET Model or an alternative of comparable analytical
4 rigor to achieve the thermal sector greenhouse gas emissions reductions
5 necessary in order to meet the sector's share of the requirements of 10 V.S.A.
6 § 578(a), and to deter substantial unintended harmful consequences. The
7 schedule may be amended based upon changes in technology or evidence on
8 emissions, but clean heat credits previously awarded shall not be adjusted
9 retroactively.

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

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

19 (g) All eligible clean heat measures that are delivered in Vermont shall be
20 eligible for clean heat credits and may be retired and count towards an
21 obligated party's emission reduction obligations, regardless of who creates or

1 ~~delivers them and regardless of whether their creation or delivery was required~~
2 by other State policies and programs. This includes individual initiatives,
3 emission reductions resulting from the State's energy efficiency programs, the
4 low-income weatherization program, and the Renewable Energy Standard Tier
5 3 program.

6 (h)(1) The Commission shall create a registration system to lower
7 administrative barriers to individuals and businesses seeking to register
8 qualified actions eligible to earn clean heat credits and to facilitate the transfer
9 of credits to obligated parties. The Commission may hire a third-party
10 consultant to evaluate, develop, implement, maintain, and support a database
11 or other means for tracking clean heat credits and compliance with the annual
12 requirements of obligated parties.

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

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

§ 8125. CLEAN HEAT STANDARD TECHNICAL ADVISORY GROUP

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

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

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

(3) assessing the sustainability of the production of clean heat measures;

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

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

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

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

1 ~~(8) coordinating with the Agency of Natural Resources to ensure that~~
2 greenhouse gas emissions reductions achieved in another sector through the
3 implementation of the Clean Heat Standard are not double-counted in the
4 Vermont Greenhouse Gas Emissions Inventory and Forecast produced by the
5 Agency of Natural Resources pursuant to 10 V.S.A. § 582;

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

8 (10) any other matters referred to the Clean Heat Standard Technical
9 Advisory Group by the Commission.

10 (b) Members of the Clean Heat Standard Technical Advisory Group shall
11 be appointed by the Commission and at a minimum shall include at least one
12 representative from each of the following groups: the obligated parties, the
13 Department of Public Service, the Department of Environmental Conservation,
14 Efficiency Vermont, the electric utilities, and environmental organizations.

15 Members who are not otherwise compensated by their employer shall be
16 entitled to per diem compensation and reimbursement for expenses under 32
17 V.S.A. § 1010.

18 (c) The Commission shall hire a third-party consultant responsible for
19 developing clean heat measure characterizations and relevant assumptions,
20 including CO₂e lifecycle emissions analyses. The Clean Heat Standard

1 Technical Advisory Group shall provide input and feedback on the
2 consultant's work.

3 (d) Emission analyses and associated assumptions developed by the
4 consultant shall be reviewed and approved annually by the Commission. In
5 reviewing the consultant's work, the Commission shall provide a public
6 comment period on the work. The Commission may approve or adjust the
7 consultant's work as it deems necessary based on its review and the public
8 comments received.

9 § 8126. CLEAN HEAT STANDARD EQUITY ADVISORY GROUP

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

17 (1) providing feedback to the Commission on strategies for engaging
18 low-income and moderate-income Vermonters in the public process around
19 development of the Clean Heat Standard.

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

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

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

11 (5) providing feedback to the Commission on the impact of the Clean
12 Heat Standard on the everyday experience of low-income and moderate-
13 income Vermonters.

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

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

3 Sec. 3. PUBLIC UTILITY COMMISSION IMPLEMENTATION

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

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

11 (c) Public engagement process. The Commission shall use the forms of
12 public engagement described in this subsection to inform the design and
13 implementation of the Clean Heat Standard.

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

18 (2) In order to receive focused feedback from specific constituents, the
19 Commission, with the assistance of the consultant, shall also hold at least four
20 meetings using deliberative polling. The facilitator shall assist the
21 Commission in developing a format for using deliberative polling at the

1 ~~meetings. Each of these meetings shall focus on seeking input from a specific~~
2 ~~group, including heating fuel dealers; low-income, moderate-income, and~~
3 ~~fixed-income customers and advocates; and customers who use large amounts~~
4 ~~of heating fuel.~~

5 (3) The Commission shall hold at least two workshops to solicit the
6 input of potentially affected parties. The Commission shall provide notice of
7 the workshops on its website and directly to the Department of Public Service,
8 Vermont's fuel wholesalers and retail fuel suppliers, renewable energy
9 advocates, environmental and consumer advocacy organizations, organizations
10 that serve low- and moderate-income Vermonters, organizations that serve
11 older Vermonters, entities that provide weatherization services, energy
12 transition providers, regional planning commissions, municipal energy
13 commissions, community action agencies, environmental justice organizations,
14 financial institutions with experience implementing low-income financing
15 programs, affordable housing advocates, the Office of Economic Opportunity,
16 the regional development corporations, and to any other person that requests
17 direct notice or to whom the Commission may consider direct notice
18 appropriate. The Commission also shall provide an opportunity for
19 submission of written comments, which the notice shall include.

20 (d) Draft order. The Commission shall publicly publish a draft order and
21 provide notice of it to the stakeholders who participated in the workshops.

1 ~~The Commission shall provide a 30-day comment period on the draft and~~
2 accept written comments from the public and stakeholders. The Commissions
3 shall incorporate necessary changes in response to the public comments before
4 adopting the final order.

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

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

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

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

18 (i) Reports. On or before January 15, 2023 and January 15, 2024, the
19 Commission shall submit a written report and hold hearings with the House
20 Committees on Energy and Technology and on Natural Resources, Fish, and
21 wildlife and to the Senate Committees on Finance and on Natural Resources

1 and Energy detailing the efforts undertaken to establish the Clean Heat

2 Standard pursuant to this chapter and, to the extent available, estimates of the
3 impact of the Clean Heat Standard on customers, including impacts to
4 customer rates and fuel bills.

5 Sec. 4. PUBLIC UTILITY COMMISSION AND DEPARTMENT OF
6 PUBLIC SERVICE POSITIONS; APPROPRIATION

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

9 (1) one permanent exempt Staff Attorney 3;

10 (2) one permanent exempt analyst; and

11 (3) one limited-service exempt analyst.

12 (b) The sum of \$600,000.00 is appropriated to the Public Utility
13 Commission from the General Fund in fiscal year 2023 for the positions
14 established in subsection (a) of this section, for the consultant required by
15 Sec. 3 of this act, and for additional operating costs required to implement the
16 Clean Heat Standard, including marketing and public outreach for Sec. 3 of
17 this act.

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

20 (1) one permanent exempt Staff Attorney; and

21 (2) two permanent classified program analysts.

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

7 Sec. 5. SECTORAL PROPORTIONALITY REPORT

8 (a)(1) On or before November 15, 2023, the Agency of Natural Resources
9 and the Department of Public Service, in consultation with the Agencies of
10 Agriculture, Food and Markets, of Commerce and Community Development,
11 and of Transportation and the Vermont Climate Council, shall report to the
12 House Committees on Energy and Technology and on Natural Resources, Fish,
13 and Wildlife and to the Senate Committees on Finance and on Natural
14 Resources and Energy regarding:

15 (A) the role of individual economic sectors in achieving the
16 greenhouse gas emission reduction requirements pursuant to 10 V.S.A.
17 § 578(a);

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

20 (C) the extent to which cost-effective, feasible, and co-beneficial
21 reasonably available greenhouse gas emission reduction measures are available

1 ~~commensurate with each sector's proportional contribution and emissions~~
2 ~~reduction impact.~~

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

6 ~~(b) The report shall make recommendations to the General Assembly to~~
7 ~~amend 10 V.S.A. § 578 to include sector-specific greenhouse emissions~~
8 ~~reduction requirements and, as necessary, subsector-specific greenhouse~~
9 ~~emission reduction requirements for the purposes of informing and~~
10 ~~appropriately scaling the implementation of programs and policies that achieve~~
11 ~~greenhouse gas emission reductions. As used in this section, "sector" means~~
12 ~~those established in the annual Vermont Greenhouse Gas Emissions Inventory~~
13 ~~and Forecast produced by the Agency of Natural Resources pursuant to~~
14 ~~10 V.S.A. § 582. The recommendations shall be made in consideration of the~~
15 ~~factors established in 10 V.S.A. § 592(d).~~

16 ~~(c) The Agency of Natural Resources and the Department of Public~~
17 ~~Service, in consultation with the Vermont Climate Council, shall submit an~~
18 ~~updated report and any corresponding recommendations in accordance with~~
19 ~~this section on July 1 of a year immediately preceding a year in which an~~
20 ~~updated Climate Action Plan is adopted pursuant to 10 v.s.a. § 592(a).~~

1 ~~Sec. 6. EFFECTIVE DATE~~

2 ~~This act shall take effect on passage.~~

Sec. 1. FINDINGS

The General Assembly finds:

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

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

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

(4) As required by the Vermont Global Warming Solutions Act of 2020, the Vermont Climate Council published the Initial Vermont Climate Action Plan on December 1, 2021. As noted in that plan, over one-third of Vermont's greenhouse gas emissions come from the thermal sector. Approximately

72 percent of Vermont's thermal energy use is fossil-based, including 43 percent from the combustion of fossil gas and propane and 29 percent from the burning of heating oil.

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

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

CHAPTER 94. CLEAN HEAT STANDARD

§ 8121. CLEAN HEAT STANDARD

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

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

(c) An obligated party may obtain the required amount of clean heat credits

through delivery of eligible clean heat measures, through contracts for delivery of eligible clean heat measures, through the market purchase of clean heat credits, or through delivery of eligible clean heat measures by a designated statewide default delivery agent.

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

§ 8122. DEFINITIONS

As used in this chapter:

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

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

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

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

(5) “Entity” means any individual, trustee, agency, partnership,

association, corporation, company, municipality, political subdivision, or any other form of organization.

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

(7) “Obligated party” means:

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

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

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

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

§ 8123. CLEAN HEAT STANDARD COMPLIANCE

(a) Required amounts.

(1) The Commission shall establish the number of clean heat credits that each obligated party is required to retire each calendar year. The size of the annual requirement shall be set at a pace sufficient for Vermont’s thermal sector to achieve lifecycle carbon dioxide equivalent (CO₂e) emission reductions consistent with the requirements of 10 V.S.A. § 578(a) expressed as lifecycle greenhouse gas emissions pursuant to subsection 8124(d) of this title.

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

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

(4) To support the ability of the obligated parties to plan for the future, the Commission shall establish annual clean heat credit requirements for 10 years with the required amounts being updated so 10 years' worth of requirements are always available. Every three years, the Commission shall extend the requirements three years, shall assess emission reductions actually achieved in the thermal sector, and, if necessary, revise the pace of clean heat credit requirements for future years to ensure that the thermal sector portion of the emission reduction requirements of 10 V.S.A. § 578(a) for 2030 and 2050 will be achieved.

(b) Annual registration.

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

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

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

(4) The Commission shall maintain, and update annually, a list of

registered entities on its website that contains the required registration information, except that the public list shall not include heating fuel volumes reported.

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

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

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

(d) Equitable distribution of clean heat measures.

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

(2) A substantial portion of clean heat credits retired by each obligated party shall be sourced from clean heat measures delivered to low-income and

moderate-income customers. The portion of each obligated party's required amount needed to satisfy the annual Clean Heat Standard requirement shall be at least 16 percent from low-income customers and 16 percent from moderate-income customers. The definitions of low-income customer and moderate-income customer shall be set by the Commission in consultation with the Equity Advisory Group and in alignment with other existing definitions.

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

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

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

(6) A clean heat measure delivered to a customer qualifying for a government-sponsored, low-income energy subsidy shall qualify for clean heat

credits required by subdivision (2) of this subsection.

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

(f) Default delivery agent.

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

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

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

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

(3) By rule or order, the Commission shall adopt annually the cost per

clean heat credit to be paid to the default delivery agent by an obligated party that chooses this option. In adjusting the default delivery agent credit cost, the Commission shall consider the default delivery agent's anticipated costs to deliver clean heat measures and costs borne by customers, among other factors determined by the Commission. Changes to the cost of credits shall take effect not less than 180 days after adopted.

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

(g) Enforcement.

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

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

payments to the default delivery agent.

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

(h) Records. The Commission shall establish 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 records and data submitted in compliance with the requirements of this chapter.

(i) Reports.

(1) For purposes of this subsection, "standing committees" means the House Committees on Energy and Technology and on Natural Resources, Fish, and Wildlife and the Senate Committees on Finance and on Natural Resources and Energy.

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

(3) On or before August 31 of each year following the year in which the rules are first adopted under this section, the Commission shall submit to the standing committees a written report detailing the implementation and

operation of the Clean Heat Standard. This report shall include an assessment on the equitable adoption of clean heat measures required by subsection (d) of this section, along with recommendations to increase participation for the households with the highest energy burdens. The provisions of 2 V.S.A. § 20(d) (expiration of required reports) shall not apply to the report to be made under this subsection.

§ 8124. TRADEABLE CLEAN HEAT CREDITS

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

(b) Clean heat credits shall be based on the lifecycle CO₂e emission reductions that result from the delivery of eligible clean heat measures to end-use customer locations into or in Vermont. For clean heat measures that are installed, the value of the clean heat credits in each year shall be the lifecycle CO₂e emissions of the heating fuel avoided by the installation of the measure,

minus the lifecycle CO₂e emissions of the energy that is used instead. Eligible clean heat measures delivered to or installed in Vermont shall include:

(1) thermal energy efficiency improvements and weatherization;

(2) the supply of sustainably sourced biofuels;

(3) renewable natural gas;

(4) green hydrogen;

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

(6) advanced wood heating; and

(7) renewable energy-based district heating services.

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

(d) To promote certainty for obligated parties and clean heat providers, the Commission shall, by rule or order, establish a schedule of lifecycle emission rates for heating fuels and eligible clean heat measures. The schedule shall be based on transparent and accurate emissions accounting adapting the Argonne National Laboratory GREET Model, Intergovernmental Panel on Climate

Change (IPCC) modeling, or an alternative of comparable analytical rigor to achieve the thermal sector greenhouse gas emissions reductions necessary in order to meet the sector's share of the requirements of 10 V.S.A. § 578(a), to accurately account for emissions from biogenic and geologic sources, and to deter substantial unintended harmful consequences. The schedule may be amended based upon changes in technology or evidence on emissions, but clean heat credits previously awarded shall not be adjusted retroactively.

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

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

(g)(1) All eligible clean heat measures that are delivered in Vermont shall be eligible for clean heat credits and may be retired and count towards an obligated party's emission reduction obligations, regardless of who creates or delivers them and regardless of whether their creation or delivery was required by other State policies and programs. This includes individual initiatives,

emission reductions resulting from the State's energy efficiency programs, the low-income weatherization program, and the Renewable Energy Standard Tier 3 program.

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

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

(h)(1) The Commission shall create a registration system to lower administrative barriers to individuals and businesses seeking to register qualified actions eligible to earn clean heat credits and to facilitate the transfer of credits to obligated parties. The Commission may hire a third-party consultant to evaluate, develop, implement, maintain, and support a database or other means for tracking clean heat credits and compliance with the annual requirements of obligated parties.

(2) The system shall require entities to submit the following information to receive the credit: the location of the clean heat measure, whether the

customer or tenant has a low or moderate income, the type of property where the clean heat measure was installed or sold, the type of clean heat measure, and any other information as required by the Commission.

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

§ 8125. CLEAN HEAT STANDARD TECHNICAL ADVISORY GROUP

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

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

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

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

costs;

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

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

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

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

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

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

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

(b) Members of the TAG shall be appointed by the Commission and shall include the Department of Public Service, the Agency of Natural Resources, and parties who have, or whose representatives have, expertise in one or more

of the following areas: technical and analytical expertise in measuring lifecycle greenhouse gas emissions; energy modeling and data analysis; clean heat measures and energy technologies; sustainability and non-greenhouse gas emissions strategies designed to reduce and avoid impacts to the environment; delivery of heating fuels in cold climates; and climate change mitigation policy and law. The Commission shall accept and review motions to join the TAG from interested parties who have, or whose representatives have, expertise in one or more of the areas listed in this subsection. Members who are not otherwise compensated by their employer shall be entitled to per diem compensation and reimbursement for expenses under 32 V.S.A. § 1010.

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

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

§ 8126. CLEAN HEAT STANDARD EQUITY ADVISORY GROUP

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

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

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

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

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

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

fuel and other heating expenses;

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

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

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

§ 8127. SEVERABILITY

If any provision of this chapter or its application to any person or circumstance is held invalid or in violation of the Constitution or laws of the United States or in violation of the Constitution or laws of Vermont, the

invalidity or the violation shall not affect other provisions of this chapter that can be given effect without the invalid provision or application, and to this end, the provisions of this chapter are severable.

§ 8128. INTENT

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

§ 8129. RULEMAKING AUTHORITY

Notwithstanding any other provision of law to the contrary, the Commission shall not file proposed rules with the Secretary of State or issue any orders implementing the Clean Heat Standard without specific authorization enacted by the General Assembly.

Sec. 3. PUBLIC UTILITY COMMISSION IMPLEMENTATION

(a) Commencement.

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

(2) On or before October 1, 2023, the Commission shall submit to the General Assembly an interim report on the development of the Clean Heat Standard.

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

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

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

(2) In order to receive focused feedback from specific constituents, the Commission, with the assistance of the consultant, may also hold at least four meetings using deliberative polling or another method of receiving focused

feedback from specific constituents. The facilitator shall assist the Commission in developing a format for soliciting feedback at the meetings. Each of these meetings shall focus on seeking input from a specific group, including heating fuel dealers; low-income, moderate-income, and fixed-income customers and advocates; and customers who use large amounts of heating fuel.

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

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

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

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

(f) Final rules.

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

(2) Notwithstanding 3 V.S.A. §§ 820, 831, 836–840, and 841(a), upon affirmative authorization enacted by the General Assembly authorizing the

adoption of rules implementing the Clean Heat Standard, the Commission shall file, as the final proposed rule, the rules implementing the Clean Heat Standard approved by the General Assembly with the Secretary of State and Legislative Committee on Administrative Rules pursuant to 3 V.S.A. § 841. The filing shall include everything that is required under 3 V.S.A. §§ 838(a)(1)–(5), (8)–(13), (15), and (16) and 841(b)(1).

(3) The review, adoption, and effect of the rules implementing the Clean Heat Standard shall be governed by 3 V.S.A. §§ 841(c); 842, exclusive of subdivision (b)(4); 843; 845; and 846, exclusive of subdivision (a)(3).

(4) Once adopted and effective, any amendments to the rules implementing the Clean Heat Standard shall be made in accordance with the Administrative Procedure Act, 3 V.S.A. chapter 25.

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

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

(i) Check-back reports.

(1) On or before February 15, 2023 and January 15, 2024, the Commission shall submit a written report to and be available to provide oral testimony to the House Committees on Energy and Technology and on Natural Resources, Fish, and Wildlife and the Senate Committees on Finance and on Natural Resources and Energy detailing the efforts undertaken to establish the Clean Heat Standard. The reports shall include, to the extent available, estimates of the impact of the Clean Heat Standard on customers, including impacts to customer rates and fuel bills for participating and nonparticipating customers, net impacts on total spending on energy for thermal sector end uses, fossil fuel reductions, greenhouse gas emission reductions and, if possible, impacts on economic activity and employment. In conducting this analysis, the Commission shall incorporate the social cost of carbon as established by the Vermont Climate Council, take into account the economic modeling conducted in the Vermont Pathways Analysis Report 2.0, and consider the potential costs of delaying action to achieve the requirements of 10 V.S.A. § 578(a). The modeled impacts shall estimate high-, medium-, and low-price impacts. The reports shall recommend any legislative action needed to address enforcement of the Clean Heat Standard.

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

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

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

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

(1) one permanent exempt Staff Attorney 3;

(2) one permanent exempt analyst; and

(3) one limited-service exempt analyst.

(b) The sum of \$600,000.00 is appropriated to the Public Utility Commission from the General Fund in fiscal year 2023 for the positions established in subsection (a) of this section, for the consultant required by Sec. 3 of this act, and for additional operating costs required to implement the Clean Heat Standard, including marketing and public outreach for Sec. 3 of this act.

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

(1) one permanent exempt Staff Attorney; and

(2) two permanent classified program analysts.

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

Sec. 5. SECTORAL PROPORTIONALITY REPORT

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

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

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

(C) the extent to which cost-effective, feasible, and co-beneficial reasonably available greenhouse gas emission reduction measures are

available commensurate with each sector's proportional contribution and emissions reduction impact.

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

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

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

Sec. 6. EFFECTIVE DATE

This act shall take effect on passage.