

CHS Equity Advisory Group - Credit Issues Subgroup Meeting

June 6, 2024, 3:00 - 4:00 PM

Agenda

Meeting Link: <https://cbi-org.zoom.us/j/87383177532>

Participant Agenda

5 mins	<b>Open</b>	Ashira
40 mins	<b>Discussion</b>	Subgroup
10 mins	<b>Comments</b>	Ashira
5 mins	<b>Close</b>	Ashira

STATE OF VERMONT  
PUBLIC UTILITY COMMISSION

Case No. 23-2220-RULE

---

Proceeding to design the potential Clean Heat Standard	
--	--

---

Order entered: 04/19/2024

**ORDER COMMUNICATING WORK PLAN**

On December 21, 2023, the Vermont Public Utility Commission (“Commission”) issued a draft comprehensive schedule for this rulemaking proceeding to serve as a roadmap for the Commission and participants. The draft schedule included opportunities for different types of public input: written comments and reply comments, public workshops, and advisory group consultation. The Commission requested comments on “proposed changes in the sequence or schedule of topics to be addressed and whether there are additional items that should be addressed within this rulemaking proceeding, and if so, when.”

The Commission received helpful feedback on the draft schedule from the Department of Public Service, Vermonters for a Clean Environment, Vermont Energy Investment Corporation, the Vermont Fuel Dealers Association, Vermont Gas Systems, Inc., and Thomas Weiss. Together, the comments suggest that the Commission should consider the required emissions schedule sooner in the process, add process regarding certain topics, reduce the number of times that the Commission seeks written comments, and overall ease participation. In response to this feedback, the Commission intends to follow a work plan that will: (1) group multiple related statutory directives, (2) provide straw proposals for feedback or ask for specific information to address those groups of directives, and (3) sequence those groups in a manner that allows for logical building of the required rule and other deliverables by January 15, 2025. We intend that the Commission’s work plan will parallel the work of the multiple consultants and working groups, and ultimately will be informed by their work product. These entities each have their own work plans designed around their respective statutory charges outlined in Act 18.<sup>1</sup> The Commission will coordinate with both advisory groups on relevant items below so that Commission proposals can be integrated into their work plans effectively.

---

<sup>1</sup> Public Act No. 18 (2023 Vt., Bien. Sess.).

Order	Category	Task	In statute
1	Credit creation	<ul style="list-style-type: none"> <li>▪ Ownership rules*</li> </ul>	30 V.S.A. § 8127(b)
2	Pacing	<ul style="list-style-type: none"> <li>▪ Process for setting total retirement schedule*</li> </ul>	30 V.S.A. § 8124(a)
3	Pacing – part I	<ul style="list-style-type: none"> <li>▪ Process for establishing and adjusting the emissions schedule<sup>2</sup></li> <li>▪ Process for setting declining carbon intensity of liquid and gas CHMs<sup>3</sup></li> <li>▪ Process for setting and adjusting annual obligated party retirement requirements</li> <li>▪ LMI equitable distribution<sup>4</sup></li> </ul>	<p>30 V.S.A. § 8127(g)</p> <p>30 V.S.A. § 8127(f)(2)</p> <p>30 V.S.A. § 8124(a)</p> <p>30 V.S.A. § 8124(d)</p>
4	Obligated parties	<ul style="list-style-type: none"> <li>▪ Obligated party determination system</li> <li>▪ Fuel dealer registration</li> </ul>	<p>30 V.S.A. § 8124(b)(1)</p> <p>30 V.S.A. § 8124(b)</p>
5	Definition, administration, and use of credits	<ul style="list-style-type: none"> <li>▪ CO<sub>2e</sub> value</li> <li>▪ Plain language description</li> <li>▪ Credit verification rules</li> <li>▪ CHM records requirements &amp; retention by obligated parties</li> <li>▪ Banking, trading, retirement rules</li> <li>▪ Credit time stamp</li> <li>▪ Eligibility requirements related to other programs</li> <li>▪ RNG accreditation</li> </ul>	<p>30 V.S.A. § 8127(c)</p> <p>30 V.S.A. § 8124(a)(2)</p> <p>30 V.S.A. § 8127(a)</p> <p>30 V.S.A. § 8124(g)</p> <p>30 V.S.A. §§ 8124(a)(1), (e), 8127(l)</p> <p>30 V.S.A. § 8127(i)</p> <p>30 V.S.A. § 8127(k)(1)</p> <p>30 V.S.A. § 8127(e)</p>

<sup>2</sup> 30 V.S.A. § 8127(g)(1): "...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."

<sup>3</sup> CHM is an abbreviation for "Clean Heat Measure."

<sup>4</sup> LMI is an abbreviation for "Low or Moderate Income."

6	Plan review & compliance	<ul style="list-style-type: none"> <li>▪ Credit fulfillment plan rules and criteria</li> <li>▪ Non-compliance &amp; waiver rules</li> <li>▪ Process for review of DDA three-year plans and budgets</li> </ul>	<p>30 V.S.A. § 8125(d)</p> <p>30 V.S.A. § 8124(f)</p> <p>30 V.S.A. § 8125(e)</p>
7	Pacing – part II	<ul style="list-style-type: none"> <li>▪ Setting declining carbon intensity of liquid and gas CHMs</li> <li>▪ Setting retirement schedule</li> </ul>	<p>30 V.S.A. § 8127(f)(2)</p> <p>30 V.S.A. § 8124(a)</p>
8	Post-implementation	<ul style="list-style-type: none"> <li>▪ Process for adopting new CHMs</li> <li>▪ Process for reviewing harmful consequences of CHMs</li> <li>▪ Trading platform creation</li> </ul>	<p>30 V.S.A. § 8123(3)</p> <p>30 V.S.A. § 8127(h)</p> <p>30 V.S.A. § 8127(l)</p>

*\*Public process complete. Awaiting advisory group feedback.*

While one of the objectives of grouping the above elements of Act 18 is to expedite the process of gathering information to inform the rule that is due to the Legislature in January 2025, it also aims to address interrelated items together. The categories labeled “Pacing,” for instance, include the technical subject matter that will determine how, under a Clean Heat Standard, emissions will be accounted for and tied to the 2030 and 2050 obligations required under the Global Warming Solutions Act.<sup>5</sup> “Pacing – part I” focuses more on *process* – determining what information is needed to inform the pace of emission reductions (*i.e.*, baseline emission rates of heating fuels and what would necessitate adjusting them, what should inform year-by-year carbon intensity value limits, how to get from reported fuel data to an individual entity’s credit requirements, and what additional “frontloading” of LMI credits might be feasible). “Pacing – part II” will rely on part I to produce the specific emission reduction numbers that would underpin the initial years of the program.

---

<sup>5</sup> 30 V.S.A. § 8121.

The category labeled “Obligated parties” groups the two items that will address elements of fuel reporting, registration, and how the Commission determines who is an obligated party that aren’t already outlined in statute.

The category labeled “Definition, administration, and use of credits” will address what a credit is, how to use it, and how to verify the creation and retirement of a credit. The category will also address how clean heat credits would coexist with ongoing related energy programs such as Tier III. This category aims to determine the details of how the credit system would work in practice.


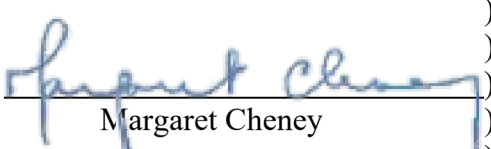
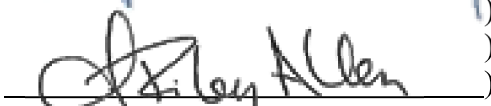
The category labeled “Plan review & compliance” will address how obligated parties and the DDA(s) would formulate the plans to address their credit obligations. It will also address non-compliance and inability to deliver required credit retirements.

Finally, the category labeled “Post-implementation” will seek to address forward-looking elements of a potential Clean Heat Standard. This includes how new clean heat measures would be considered, how to evaluate whether measures are causing unintentional harm, and the means for cataloging and trading credits.

We intend for these opportunities for input to build on one another and be shaped by the work done by our advisory groups, measure characterization consultant, and public engagement facilitator. The Commission may adjust these groupings as our understanding of these elements evolves. We recognize that the December 2023 draft schedule was overwhelming in the number of topics and requests for participation and feedback. Our new work plan attempts to mitigate those issues while still receiving valuable feedback from participants along the way. Though we are not publishing specific dates for the work plan outlined above, we believe it is helpful to communicate to participants our proposed groupings and sequence. As we proceed through the work plan, we will communicate specific opportunities for written comments and workshops.

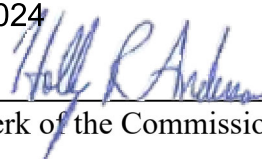
**SO ORDERED.**

Dated at Montpelier, Vermont, this 19th day of April, 2024.

 _____ )	)
Edward McNamara	) PUBLIC UTILITY
_____ )	)
 _____ )	)
Margaret Cheney	) COMMISSION
_____ )	)
 _____ )	)
J. Riley Allen	) OF VERMONT

OFFICE OF THE CLERK

Filed: April 19, 2024

Attest:   
 \_\_\_\_\_  
 Clerk of the Commission

*Notice to Readers: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Commission (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: [puc.clerk@vermont.gov](mailto:puc.clerk@vermont.gov))*

## **Upcoming Policy Question for Equity Advisory Group**

### **Frontloading of Low- and Moderate-Income Credits**

Section 8124(d)(1) of Act 18 requires that “each obligated party shall retire at least 16 percent from customers with low income and an additional 16 percent from customers with low or moderate income.” The following section, 30 V.S.A. § 8124(d)(3), directs the Commission “to the extent reasonably possible, frontload the credit requirements for customers with low income and moderate income so that the greatest proportion of clean heat measures reach Vermonters with low income and moderate income in the earlier years.” The Commission will consider whether or not to increase those low and moderate income (LMI) credit retirement requirement percentages. The Commission will be looking for input from the Equity Advisory Group as to what considerations (beyond those laid out in 30 V.S.A. §§ 8124 (4) and (5) to use when deciding whether or not to increase the percentages and what the Equity Advisory Group recommends the Commission do.