

Clean Heat Standard Equity Advisory Group
 Tuesday, April 2, 12:30-2:30 PM ET
 Agenda

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

Participant Agenda

12:30	Welcome & Review of agenda <ul style="list-style-type: none"> ● Initiate recording 	Mia
12:35	Review and approval of 3/19/24 meeting minutes	Mia
12:40	Updates from the PUC <ul style="list-style-type: none"> ● General updates ● Questions? 	Dominic Gatti, PUC
1:00	Technical Advisory Group Report and on-going collaboration <ul style="list-style-type: none"> ● Update from TAG liaison 	Emily / Matt
1:05	Review of subgroup working on equity framework <ul style="list-style-type: none"> ● How do we intend people to use this document? ● Review of submitted suggestions 	Chris
1:20	Discussion on credit ownership proposal	Dominic
1:45	Discussion on working with the Community Engagement Consultant	Ashira
2:00	Other Matters <ul style="list-style-type: none"> ● Response to TAG question about low- / middle- income definition ● Free pass to to Better Buildings By Design - April 3 and 4 https://www.encyvermont.com/trade-partners/bbd ● Agenda topics for next meeting – Tues., April 16, 12:30 – 2:30 ● Action Items 	Ashira
2:20	Public Comment (10 min)	Ashira
2:30	Close	Mia

Preamble

Whereas the Climate Council Just Transitions Subcommittee drafted the *Guiding Principles for a Just Transition (Guiding Principles)* in August 2021; and

Whereas the *Guiding Principles* advises that “[s]tudies continue to show that low-income communities, indigenous peoples, and black and other communities of color are among those who are particularly vulnerable to the impacts of climate change”; and

Whereas low- and moderate-income and historically marginalized, disadvantaged and under-served communities include Indigenous communities; people of color; new Americans; mobile home communities; renters, including subsidized housing renters; communities near electric plants, fuel-manufacturing plants, and fracking sites; and rural and floodplain communities; and

Whereas Vermonters have also been historically marginalized or may be marginalized due to language barriers, gender inequality, LGBTQ status, socioeconomic status, education level, employment status, disability, immigration status, religious beliefs, culture, or incarceration history; and

Whereas the *Guiding Principles* were drafted to help guide the Climate Council and its subcommittees ensure that strategies to reduce greenhouse gas emissions...benefit and support all residents of the State of Vermont fairly and equitably”; and

Whereas the Clean Heat Standard was enacted in May, 2023; in order to help “meet the greenhouse gas emission reductions required by the GSWA”; and

Whereas the Clean Heat Standard established the Equity Advisory Group to assist the Public Utilities Commission “in developing and implementing the Clean Heat Standard in a manner that ensures an equitable share of clean heat measures are delivered to Vermonters with low income and moderate income”; and

Whereas the Clean Heat Standard directs the Commission to “biennially assess harmful consequences that may arise in Vermont and elsewhere from the implementation of specific types of clean heat measures and shall set standards or limits to prevent those consequences”; and

Whereas these harmful consequences include but are not limited to “environmental burdens as defined in 3 V.S.A. § 6002, public health, deforestation or forest degradation, conversion of grasslands, increased emissions of criteria pollutants, damage to watersheds, or the creation of new methane to meet fuel demand”; and

Whereas these consequences have a disproportionate harmful consequence on low- and moderate-income and historically marginalized, disadvantaged and under-served Vermonters; and

Whereas among the duties of the Equity Advisory Group is “supporting the Commission in

assessing whether customers are equitably served by clean heat measures and how to increase equity”; and

Whereas the *Guiding Principles* is meant to ensure that disenfranchised populations are not unduly impacted by emissions transformation projects including proposed clean heat measures under the Clean Heat Standard; and

Whereas the *Guiding Principles* was not drafted specifically to evaluate potential eligible clean heat measures, but the *Guiding Principles* does provide a rubric that the Equity Advisory Group can build upon; and

Whereas the EAG dissolves upon the implementation of the Clean Heat Standard, though equitable clean heat measures are needed after the dissolution of the Equity Advisory Group;

Therefore the Equity Advisory Group offers this rubric to:

1. 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 Vermonters with low and moderate incomes;
2. assist the Commission to assess whether proposed clean heat measures will equitably serve all Vermonters;
3. assist the Technical Advisory Group to evaluate proposed clean heat measures through an equity lens;
4. assist delivery agents and obligated parties to create clean heat measures that serve all Vermonters.

Score the answer to each question in the seven sections based on its potential harm or benefit.

I. Health

The proposed Clean Heat Measure should improve health (physical and mental) outcomes for low- and moderate-income and historically marginalized, disadvantaged and under-served Vermonters. The strategy upholds the fundamental human right to safe, clean, healthy and adequate air, water, land, and housing.

1. Does the proposed clean heat measure reduce air pollution (CO₂ and other greenhouse gasses, PM 2.5, Ozone, VOC, NO_x, etc.) and reduce asthma and other respiratory-related hospital visits?
2. Does the proposed clean heat measure extend the expected longevity and/or quality of

- life for populations experiencing health disparities?
3. Does the proposed clean heat measure reduce stress, anxiety, and depression, and improve mental health?
 4. Does the proposed clean heat measure help restore or protect ecosystem health (air, land, water, soil)?

Overall response to these questions with justification:

II. Affordability

The proposed Clean Heat Measure should lower and stabilize costs related to home heating as well as basic living needs (housing, food, utilities, healthcare, transportation, etc.) for low- and moderate-income and historically marginalized, disadvantaged and under-served Vermonters.

1. Does the proposed clean heat measure prioritize low and moderate income Vermonters?
2. Is the proposed clean heat measure affordable to residents, and/or does the proposed measure offer inclusive financing strategies that prioritize the most income-burdened populations? (be specific about whether you're financing through an organization or the city, etc)
3. Does the proposed clean heat measure reduce energy cost burdens and the number of families that are cost-burdened by housing including utilities?
4. Does the proposed clean heat measure generate burdens (including financial, and health costs), either directly or indirectly, onto others including communities of color or low-income populations? If yes, are there opportunities to mitigate these impacts?
5. Are grants available for low- and moderate-income and historically marginalized, disadvantaged and under-served Vermonters to access the proposed Clean Heat Measure and/or does it offer these Vermonters inclusive financing at favorable rates?
6. Will low- and moderate-income and historically marginalized, disadvantaged and under-served Vermonters lose fuel subsidies as a result of the proposed action?

Overall response to these questions with justification:

III. Accessibility

The proposed clean heat measure should remove barriers and promote access for low- and moderate-income and historically marginalized, disadvantaged and under-served Vermonters.

1. Does the proposed action expand access to clean heat measures for low- and moderate-income and historically marginalized, disadvantaged and under-served Vermonters?
2. Does the proposed clean heat measure remove barriers that might prevent individuals in low- and moderate-income and historically marginalized, disadvantaged and under-served Vermonters from benefiting fully if the clean heat measure were implemented as communicated?
3. Does the proposed clean heat measure increase access to eligible clean heat measures for households living in manufactured homes and/or manufactured home communities?
4. Does the proposed clean heat measure increase access to eligible clean heat measures for renter households?
5. Is the proposal action expressed in clear language accessible to all Vermonters?

Overall response to these questions with justification:

IV. Just Transition

The proposed clean heat measure should ensure economic justice so that low- and moderate-

Commented [Jeavons Pa1]: Are 1. and 2. essentially the same?

income and historically marginalized, disadvantaged and under-served Vermonters are prioritized in the benefits of the measure and are protected from any potential negative consequences.

1. Does the clean heat measure support low- and moderate-income and historically marginalized, disadvantaged and under-served Vermonters through workforce development, and contracting opportunities?
2. Does the proposed clean heat measure create local opportunities for livable wage jobs for low- and moderate-income and historically marginalized, disadvantaged and under-served Vermonters?
3. Does the proposed action prioritize low and moderate income Vermonters?
4. Does the proposed clean heat measure place responsibility on institutions and businesses to address historical disparities in contributing to climate change?

Overall response to these questions with justification:

V. Community

The proposed clean heat measure should elevate the voices of low- and moderate-income and historically marginalized, disadvantaged and under-served Vermonters by developing and strengthening the skills, abilities, and resources that a community needs to survive, adapt, and thrive.

1. Does the proposed clean heat measure engage and continue to empower low- and moderate-income and historically marginalized, disadvantaged and under-served Vermonters in a meaningful, authentic and culturally appropriate manner? Does it respect community-based knowledge and is it based on community identified needs and input/feedback?
2. Does the proposed clean heat measure help build community capacity through funding, educational opportunities, and/or other resources?
3. Does the proposed action include a plan to respond comprehensively to protect impacted workers?
4. Does the proposed action support low- and moderate-income and historically marginalized, disadvantaged and under-served Vermonters through workforce development, contracting opportunities?
5. Does the proposed action create local opportunities for livable wage jobs for low- and moderate-income and historically marginalized, disadvantaged and under-served Vermonters?
6. Does the proposed clean heat measure help foster the building of effective, long-term relationships and trust between diverse communities and businesses and institutions?

Overall response to these questions with justification:

VI. Accountability

The proposed clean heat measure should ensure that all Vermonters, including low- and moderate-income and historically marginalized, disadvantaged and under-served Vermonters can hold governments and institutions accountable for equitable implementation.

1. Is the proposed clean heat measure based on verifiable science unbiased by politics, lobbying, corporate sponsorship, or precedential decisions?
2. Does the proposed clean heat measure meet the intended thermal requirements of the building it serves?

3. Does the proposed clean heat measure have provisions to ensure ongoing collection of data (that can be disaggregated by race/ethnicity/income) and public reporting of data? Can this data be validated qualitatively by community members?
4. Does the proposed clean heat measure have clear markers of short-term and long-term success as well as timelines for meeting markers of success? If so, what are the mechanisms we will utilize to ensure that goals are met (successful implementation and enforcement)?
5. Does the proposed action address consequences if goals are not met? Is there a process for those impacted by the action to express grievances or satisfaction and to ensure that concerns are met?
6. Is the proposed action adequately funded to achieve its designed goals?

Commented [Jevons Pa2]: first and only use of "we" who is we?

Overall response to these questions with justification:

VII. Cultural Preservation

The proposed clean heat measure should deliberately and respectfully honor cultural relevance and history to maintain cultural heritage from the past and present for the benefit of all generations.

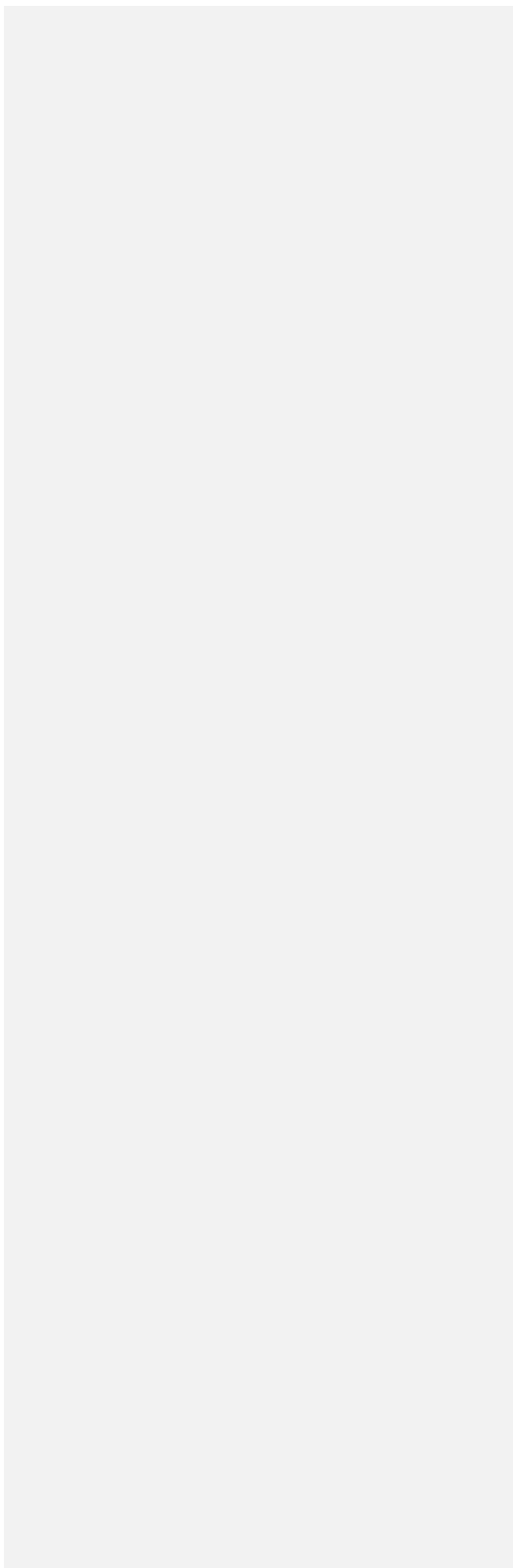
1. Does the proposed clean heat measure acknowledge/respect/honor the culture, historic assets, and traditions of low- and moderate-income and historically marginalized, disadvantaged and under-served Vermonters?
2. Does the proposed action improve social cohesion (engagement and connection within/to the community) among low- and moderate-income and historically marginalized, disadvantaged and under-served Vermonters?
3. Does the proposed action's decision-making processes go beyond dollars and cents to address shared values and cultural differences in order to support implementation?

Commented [Jevons Pa3]: what does 3 mean? is it relevant to the CHS? does a CHS have a process?

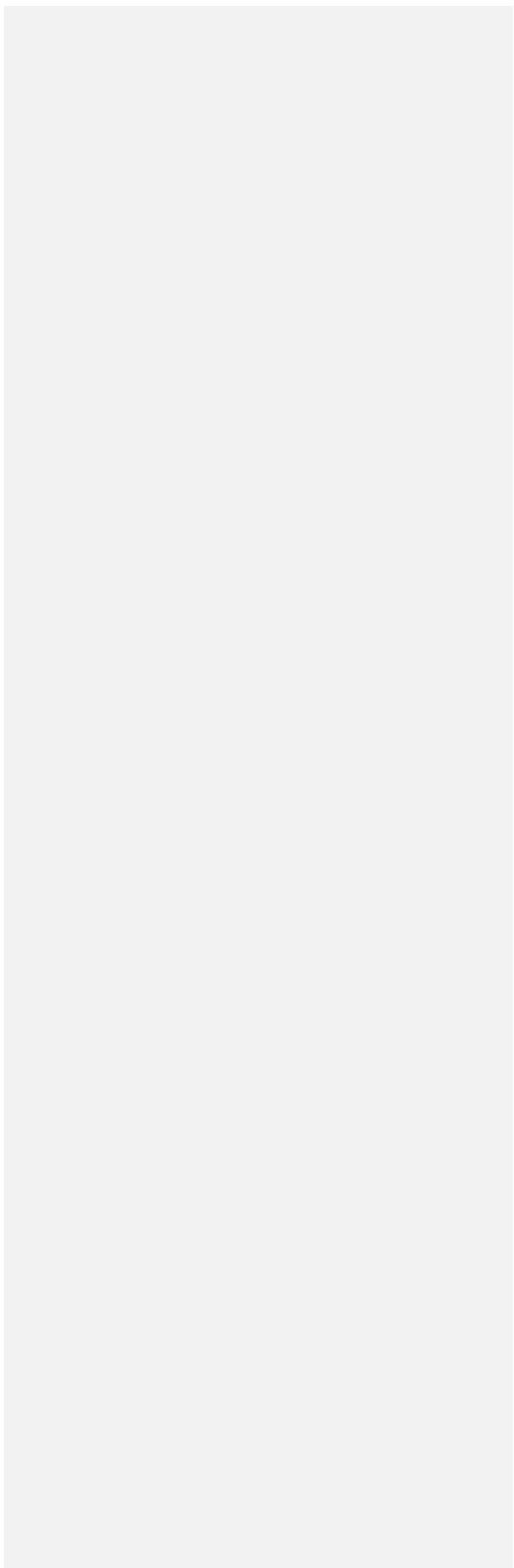
Overall response to these questions with justification:

						Impact		
						Harm -1	Neutral	Benefit +1
I. Health								
1								
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3								
4								
II. Affordability								
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III. Accessibility							
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IV. Just Transition							
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3							
4							
V. Community							
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VI. Accountability							
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VII. Cultural Preservation							
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Staff Proposal: Initial Ownership of Clean Heat Credits

Introduction

The delivery or installation of clean heat measures for end-use customers in Vermont will create clean heat credits.¹ A clean heat credit is a tradeable, nontangible commodity that represents the amount of greenhouse gas reductions attributable to a particular clean heat measure.² A clean heat credit can be divided, traded, transferred, bought, sold, or held until it is retired.³ Customers and entities are free to enter into contracts transferring ownership of credits as they see fit. We acknowledge that different clean heat measures have different characteristics and distinguish installed measures (e.g., weatherization, heat pumps, etc.) and delivered measures (e.g., biofuels, renewable natural gas, etc.).

Obligated parties consist of a regulated natural gas utility serving customers in Vermont, entities that import heating fuel for ultimate consumption within the state, and entities that produce, refine, manufacture, or compound heating fuel within Vermont for ultimate consumption within the state.⁴ The Commission must establish the number of clean heat credits that each obligated party is required to obtain and retire each calendar year.”⁵ An “obligated party may seek to meet its requirement, in whole or in part, through one or more of the following ways: by delivering eligible clean heat measures, by contracting for delivery of eligible clean heat measures, or through the market purchase of clean heat credits.” 30 V.S.A. § 8125(d)(1). “All eligible clean heat measures that are delivered in Vermont beginning on January 1, 2023, shall be eligible for clean heat credits.” Section 8127(k).

Pursuant to 30 V.S.A. § 8127(b), the Commission must establish a standard methodology for determining what party or parties will be the owner of a clean heat credit upon its creation.

The Commission has issued orders requesting comment and held a workshop regarding the methodology to apply to the initial credit ownership determination.

Public input included the following suggestions for determining initial credit ownership:

- Clean heat credits would initially go to the installer or deliverer.

¹ 30 V.S.A. § 8123(3): “Clean heat measure” means fuel delivered and technologies installed to end-use customers in Vermont that reduce greenhouse gas emissions from the thermal sector. 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.

² 30 V.S.A. § 8123(2): “Clean heat credit” means a tradeable, nontangible commodity that represents the amount of greenhouse gas reduction attributable to a clean heat measure. The Commission shall establish a system of management for clean heat credits pursuant to this chapter.

³ 30 V.S.A. § 8127(k)(2): The owner or owners of a clean heat credit are not required to sell the credit.

⁴ 30 V.S.A. § 8123(12).

⁵ 30 V.S.A. §§ 8124(a)(1) and 8122(c).

- Clean heat credits would go to the entity, including customers, that induces, pays for, or incentivizes the clean heat measure.

Clean Heat Credit Ownership Structure, Staff Proposal:

For the purpose of receiving feedback from the Equity Advisory Group and the Technical Advisory Group, Commission staff offer the following proposal on clean heat credit ownership.

Staff proposes distinguishing initial credit ownership based on whether the clean heat measure was installed or delivered, using the following methodology:

- For installed clean heat measures, end-use customers are awarded all clean heat credits.
- For clean heat measures impacting multi-owner properties, the initial credit ownership will be divided amongst the customers by a pre-arranged agreement.
- For delivered measures, ownership would hinge on the question of who initiated the measure:
 - If a customer opts for the delivered measure (e.g., voluntary purchase of renewable natural gas or higher biofuel blends), the customer will initially own the credit;
 - If a fuel dealer initiates the delivery of a delivered CHM of up to 20% biofuel blend, the deliverer owns the credit;
 - If a natural gas utility initiates the delivery of a delivered CHM of up to the amount of renewable natural gas authorized in its alternative regulation plan, the utility owns the credit;
 - If fuel dealers initiate the delivery of a delivered CHM above a 20% biofuel blend, the fuel dealers must first inform the customer and confirm the customer's heating equipment is able to handle the fuel blend and then the deliverer will own the credit.

Staff Considerations:

Commission staff acknowledges that there are multiple reasonable approaches to this decision and has considered, among other things, the following regarding this proposed methodology.

- Customers, installers, and deliverers are the entities at the center of the clean heat standard. Customers may enter into contracts transferring ownership of clean heat credits to the installer or deliverer, a number of whom may also be obligated parties. Customer credit ownership will give customers negotiating power in their contractual agreements with their installer or deliverer, which could result in an exchange of incentives for the credit, likely reducing the cost of the clean heat measure to the customer.
- To ease concerns that customers may be unduly pressured by their installer or deliverer to implement a clean heat measure for credit-creation purposes, the Commission could require installers and deliverers to provide Commission-approved information about the Clean Heat Standard program, alternative technologies and fuels, and information about what programs are available to help pay for measures.

- Awarding proportional credits to every party that supports and/or pays for a clean heat measure: would complicate the initial determination of credit ownership; could create market confusion about ownership; could potentially raise equity concerns; and could complicate subsequent transactions. Allowing credit ownership to originate with the end-use customer is simpler for all parties involved. Note, though, that parties are not prohibited from entering into contracts regarding the ownership of credits, including for an exchange of funds or other incentives or services.

Specific Requested Feedback:

Input is now requested from the Technical and Equity Advisory Groups^{6,7} regarding Staff's proposed methodology to address initial clean heat credit ownership. Staff specifically seeks feedback on the following questions but welcomes all thoughts on this subject.

- Whether a different methodology should be applied to pipeline renewable natural gas deliveries?
- Whether all credits for installed and delivered measures should be awarded directly to customers?
- Should customers first evaluate and give informed consent to a deliverer-initiated use of a delivered clean heat measure, no matter the blend percentage?
- Whether a different methodology should be applied to clean heat credits for early action clean heat measures?

⁶ 30 V.S.A. § 8127(b): The Commission, in consultation with the Technical Advisory Group, shall establish a standard methodology for determining what party or parties shall be the owner of a clean heat credit upon its creation. The owner or owners may transfer those credits to a third party or to an obligated party.

⁷ 30 V.S.A. § 8129(a)(5): providing feedback to the Commission on the impact of the Clean Heat Standard on the experience of Vermonters with low income and moderate income.”

Memo to the Equity Advisory Group

From the Technical Advisory Group

Regarding the Definitions and Determination of Low and Moderate Income Households

March 25, 2024

Act 18 includes a requirement that obligated parties retire 16% of the clean heat credits for low income households (“customers with low income”) and another 16% for low and moderate income (“customers with low or moderate income”). The Legislation includes a definition for both low income:

“Customer with low income” means a customer with a household income of up to 60 percent percent of the area or statewide median income, whichever is greater as published annually by the US Department of Housing and Urban Development or a customer who qualifies for a government-sponsored, low income energy subsidy.

And moderate income:

“Customer with moderate income” means a customer with a household income of between 60 percent and 120 percent of the area or statewide median income, whichever is greater as published annually by the US Department of Housing and Urban Development.

While the definitions are clear, there will still be a need to address three factors to translate the definitions to program implementation.

First, the HUD income publication provides different levels of median income for each county. The Legislation notes these differences by citing both the “area or statewide median income”. As a result, there will be different eligibility levels for the different counties. Chittenden, Franklin, Addison and Grand Isle Counties will have higher thresholds for earning LMI credits. This also means that a part of the credit registration process will require information on the county location for the installed measures.

Second, the HUD income publication notes a different value of median income for different household sizes. The PUC will need to determine if Low and Low or Moderate Income qualifying credits should be based on the household size which will require that information to be collected for each potentially eligible credit.

Third, the credit registration process will need to ascertain the income level for the household. Most state programs allow for self reporting of income to meet qualifications. The PUC will need to determine the degree to which verification is required. And, there are, unfortunately, many

possibilities for determining income. For example, the Vermont Department of Taxes collects AGI data from each income tax filer and also collects a different household income figure for those wishing to receive a Renter's Rebate or Property Tax reduction. The verification process may rely on this commonly collected data (requiring an MOU to access the data) or develop its own verification.

In addition, rental properties will have two possible considerations for meeting the Low and Low or Moderate Income credit eligibilities. The income may be based on tenant's income in which case the PUC will need to determine how to evaluate multi unit buildings that will have a mix of tenants' income levels. And, it is possible that the landlord may qualify as low or moderate income in which case the PUC will need to determine if measures carried out in their buildings are eligible for LMI credits.

And finally, there is the possibility that non-residential properties could be considered as possible locations for creating LMI Clean Heat Credits. This may include food shelves, soup kitchens, health clinics, and schools that serve large proportions of lower income households. The PUC may wish to identify the types of buildings that could be considered eligible under Act 18 and establish the mechanism to ensure meeting criteria that match the Legislative language.

The refinement of each of these considerations will be important in order to better understand the potential for meeting the LMI credit requirements which is a part of the charge for the Technical Advisory Group. We are interested in the perspective of the Equity Advisory Group on how these factors should be considered.