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Joshua R. Diamond
E-mail: jdiamond@dinse.com

July 29, 2024

Holly R. Anderson
Clerk of the Commission
Vermont Public Utility Commission
112 State Street
Montpelier, VT 05620

Dear Ms. Anderson,

To assist some of VFDA's individual members, it is submitting their respective comments to the proposed straw poll.

Sincerely,

Joshua R. Diamond, Esq.
DINSE P.C.
209 Battery Street
Burlington, VT 05401

Counsel for Vermont Fuel Dealers Association



328 Main Street, Derby, VT 05829
CallFred's.com

Holly R. Anderson

Vermont Public Utility Commission

**Re: Proceeding to design the potential Clean Heat Standard,
Case No. 23-2220**

Dear Holly R. Anderson,

I am writing this letter in regards to the proposal requiring fuel dealers to predict in August how many gallons of fuel we are going to sell in the next calendar year. We have no way of predicting that with too many unknowns: weather, number of customers installing heat pumps or alternative sources of heat, sale of homes or customers moving or switching providers, to name a few. We also have bids that go out on schools or commercial properties that we may or may not be awarded throughout the year.

We employ 99 people in the State of Vermont and service Caledonia, Essex, Lamoille and Orleans Counties with #2 Fuel Oil, Kerosene, Diesel, Gasoline, and Propane.

Thank you for your attention in this matter.

Sincerely,

A handwritten signature in black ink that reads "Dennis Percy". The signature is fluid and cursive, with the first name being more prominent.

Dennis Percy

General Manager



Holly R. Anderson

Clerk of the Commission

112 State Street Montpelier, VT 05620-2701

July 29, 2024

Comments on Vermont PUC Straw Proposal on Credit fulfillment plans and criteria.

Thank you for the opportunity to provide comments on the Vermont PUC staff straw proposal. Since its founding in 1870, Sprague has been actively supplying customers in New England with the energy product it needs. Today, we supply refined products to resellers and commercial end users in Vermont and throughout the northeast. Sprague is also one of the largest Natural Gas distributors in the Northeast. Finally, starting in 2007 Sprague has been a leading supplier of renewable fuels in this market. We continue to grow our biodiesel and renewable diesel product offerings along with our activity in both the solar and wind markets. As a participant in the Clean Heat Standard discussions since they were initiated, Sprague has had the opportunity to articulate its position on program design. We appreciate the feedback that the Vermont PUC has provided to date and look forward to continuing that dialogue. The comments herein are specific to the request for comment on credit fulfillment plan review and criteria.

We do not understand the position of PUC requiring plans to be submitted and a review of the plan by a currently unnamed commission. The straw proposal states, "The plan will be approved by the Commission if the obligated party provides sufficient details on the party's capacity and resources to achieve the emissions reductions." This straw proposal is asking for suppliers of heating products to demonstrate their ability to meet the new sales tax through future compliance mechanism. In addition, there appears to be is consideration to move away from the original goal of a market-based compliance system to a more narrow and rigid structure. We believe both to be unreasonable for the following reasons.

Pre-approval plan for a sales tax

The Vermont Clean Heat Standard is a sales tax. Like all sales tax the end user will end up paying the cost. In this case, any users of heating products in Vermont will pay 100% of the clean heat standard tax. It is therefore unclear why a preapproved plan is required (especially one-year in advance) on how to collect the tax? Currently the on-road diesel tax in Vermont is \$0.32 per gallon. There is no commission in place that reviews whether a station selling diesel has a fiscal

plan which will allow them to remit the tax to the state. The assumption is that this tax is passed on and paid during the delivery of the product, then remitted to the state. That is exactly what will happen here. While we agree the structure of the program (such as the five categories of customer) makes this tax more complicated, the basic premise remains that dealers will collect this tax on behalf of the state, then remit in full. Therefore, we question why the requirements on this tax for pre-approved plans are required. Is the PUC also going to ask retail customers to submit a plan that demonstrates they have the financial resources to pay the clean heat standard tax before they are allowed to purchase heating fuels?

Additionally, there seems to be a misunderstanding of how these credit programs work. The cost of the tax at any time will be known to the obligated party and customer. Not only will the default price be known but the market rate price of credits will be known. States who have implemented market-based sales taxes (such as the California CCA as an example below) the tax price is quoted each day in pricing publications. We envision the Vermont clean heat will be the same. A line item that obligated parties will charge with each delivery for the clean heat tax on a cents per gallon equivalent.

CCA price €/USG	Winter		Summer	
Regular CARBOB	26.84	-0.31	26.91	-0.31
Month index Jun			28.73	-2.24
Midgrade CARBOB	26.84	-0.31	26.85	-0.31
Month index Jun			28.66	-2.24
Prem CARBOB	26.86	-0.31	26.80	-0.31
Month index Jun			28.61	-2.23
ULSD			34.19	-0.39
Month index Jun			36.50	-2.84

Market Based

As the PUC is aware, heating fuels volumes are not static but rather vary annually based upon degree day requirements. Variation from submitted plans will change based upon normal external factors for heating needs. Any plan structure must be flexible based on obligated party changing volume based on weather or gains / losses in the market in sales. Also, an obligated party could have submitted a plan that stated they would pay the default price and bill that to their customer during sales. However, an economic opportunity might arise such as a discount in renewable fuels or heat pumps installation. In this case, the obligated party would follow market economics and supply a lower emission product, while saving the end user money since they do not have to pay the full tax. If variance from the submitted plan is not permitted, then the obligated party must build into its price the tax since they are committed to paying the PUC the “submitted plan” amount. Surely Vermont PUC is in favor of finding the most cost-effective ways to reduce emissions for the customers in the state.

The Vermont PUC should strive to keep all market-based mechanisms that work towards reducing emissions and not just the ones currently in political favor. Market-based practices that we have seen in the Federal Renewable Fuel Standard, California Low Carbon Fuel Standard and CCA, and the Canada Fuel Standard we have seen are effective in reducing emissions while ensuring competitive economics for the end users paying the tax. In addition, we view it highly unlikely any commission will be able to predict the economics of alternative compliance or what the future cost of heat pumps, hydro rates, or renewable fuels will be over the course of the compliance period. This is why building a structure for market-based programs ensures that the most cost-effective emissions reductions are being achieved.

As per the July 16th Memorandum requesting specific ideas for changes, we submit the following:

- 1) For the reasons outlined above, scrap the unnecessary preapproval plans. This will remove an administrative burden for which the obligated party and Vermont PUC will be challenged to manage. Create and publish a set of program parameters in place of “preapproval process” on compliance. This would replace the commission review which is ill defined and whose objectivity is unclear. The PUC can leave the plan flexible enough where the PUC can adjust every several years if changes are required to achieve more optimal results.
- 2) Do not place the burden of identifying end users’ income status on obligated parties. Placing a punitive charge on suppliers if their traditional customer base does not match the PUC income created categories, and in the right percentages, seems incredibly complicated to monitor for the supplier and the Vermont PUC. Not even the California Air Resource Board has attempted such a monitoring policy and they have over 1,700 employees. In addition, we question whether taxing suppliers at different levels based on their customers’ annual income would be able to withstand the inevitable litigation on this component of the program.
- 3) The compliance period is too long. Under this proposal, compliance is one year for the credit and then a further period for remittal. The delay only adds to potential liabilities and financial complexity to manage. Shorten the compliance period to a quarterly or semi-annually. This will smooth cash flows for both obligated party and the Vermont tax collection process. In addition, leaving such a prolonged period could lead to a host of non-compliance and market-based issues. We would be happy to explain this point further if required.
- 4) Prior to the start of the program, clearly establish the waiver requirements. Leaving it as a discretionary process after the fact could lead to uncompetitive practices and an

unbalanced playing field in the market. It will also put the PUC in the controversial position of picking winners and losers.

Thank you for the opportunity to comment today. We look forward to working with the State of Vermont on the Clean Heat program.

Best Regards,

Kevin Grant

Director of Renewable Fuels

Sprague Energy

185 International Drive

Portsmouth NH 03801





Holly R. Anderson
Vermont Public Utility Commission

Re: Proceeding to design the potential Clean Heat Standard, Case No. 23-2220

Dear Holly,

I'm writing today to share a few of my concerns with the Straw Proposal for the Clean Heat Credit System. I'm alarmed by the nature of the proposal and how it ultimately puts my business at a disadvantage in the market. Overall, it seems to discriminate against small businesses and favor large national organizations. I share below a couple of those concerns and implore the PUC to consider the impact this will have on small businesses, like mine, that employ a handful of Vermonters with good livable wage jobs. And then consider the thousands and thousands of Vermonters who count on us to keep them warm when it gets cold as well as provide for their hot water, cooking, generator needs, etc...

1. It's clear the PUC has no working knowledge of the propane industry. Designating and purchasing fuel is more of an art than a science. Many factors determine how and when fuel is purchased, and they are constantly moving. For example, the value of the US dollar, the economy in Asia, what's happening with the price of the barrel of oil, significant storms, railroad strikes, weather as a whole, crop drying in the Midwest, etc. It's basically impossible to forecast where our gallons will be purchased that far out with any accuracy.
2. What if we have a warmer winter, like last winter, and you only use 80% of the volume you anticipated based on an average winter? Weather forecasts aren't 100% accurate a couple of days in advance; there's no way we can't plan 15 months in advance. Purchasing propane in advance means you take that propane or you pay for that propane. There is no way we can do that and remain competitive with large national companies.
3. What if the winter is colder? What if we need 20% more volume than anticipated due to weather? Let's say it's cold and heat pumps aren't keeping up with demand and people turn on backup propane heat. Very plausible. It's likely in that scenario, we'll be in early February, and our predicted and pre-purchased gallons will be gone. **We may need to purchase fuel from out of state and then become retroactively obligated.** How will that be accounted for in this proposal? Do we just let people freeze in that situation? We can certainly find

the fuel, but will need to go outside the borders of Vermont. The proposal then will require us to pay a 2X penalty on the credit value. We either do not deliver fuel or charge our customers for the added costs. This is inequitable.

These are just a few of the problems I see in the proposal. Why not work to make the process simple and equitable? Certainly, a flat price per gallon would make the most sense. Can we all stop pretending that the customer won't pay this fee? Small propane and fuel oil providers cannot absorb additional costs without passing them on. Small businesses are already under tremendous pressure from a variety of factors regarding labor, insurance, equipment, and compliance. We often find ourselves carrying those who struggle financially. We can plan ahead, but we can't carry the burden of the unknown. Please don't make doing my job ensuring Vermonters have heat any harder than it already is. I will spend countless hours explaining how this works to my customers. The locally-owned fuel providers talk to our customers; they are our neighbors. We don't have a call center in India and shareholders in Quebec. Yet, this straw proposal appears to have been drafted by a utility to benefit a utility.

The legislature has asked the Public Utility Commission to figure out how to eliminate local businesses that provide an essential commodity. On behalf of my employees and my customers, I ask you to reject that request.

Regards,

Paul Beauregard

Paul Beauregard
Onsite Propane
PO Box 183
Cambridge, VT 05444

PO BOX 183 * 6 John Putnam Drive
Cambridge, Vermont 05444
(802) 644.5500



PO Box 549, Morrisville, VT 05661

State of Vermont Public Utility Commission

112 State Street

Montpelier, VT 05602

Att: Holly Anderson

Re: Case No. 23-2220 -Rule Staff Straw Proposal on Credit Fulfillment Plans and Criteria and waiver process.

Dear Members of the Public Utility Commission,

Thank you for the opportunity to provide comments related to the compliance of the Clean Heat Standard. I am writing on behalf of Bourne's Energy, a Dead River Company, as a fuel dealer serving the Vermont community, to express our concerns with several aspects of the staff straw proposals outlined in your recent memorandum. Currently, we employ 202 Vermont employees. We believe that the proposals regarding obligated party credit fulfillment plans and criteria, as well as non-compliance enforcement and waiver processes, fail to adequately consider realities faced by fuel dealers and other obligated parties.

The proposed requirement that obligated parties must obtain and retire clean heat credits through a default delivery agent creates unnecessary administrative burdens. We do understand and appreciate the need for compliance with statutory directives in the Clean Heat Standard. However, mandating the use of default delivery agents disregards the diverse capabilities and resources of obligated parties. This approach undermines market flexibility and innovation, both of which are essential for achieving significant emissions reductions.

When considering timelines and procedural requirements for filing compliance plans, we view them as impractical and could potentially lead to unintended compliance gaps. Our concern for obligated parties to submit detailed plans by August 1 of the preceding year may not allow adequate time for thorough review and adjustment, particularly for smaller entities or those managing complex operational logistics. The forecasting requirements for fuel retailers are considered impractical due to several interrelated factors.

First, retailers are mandated to forecast sales volumes of heating oil, kerosene, and propane over an extensive 15-month period, a challenging task given the volatility of market conditions and consumer demand fluctuations. This forecasting must include precise estimates of obligated gallon volumes that align with regulatory standards, necessitating accurate projections to avoid compliance discrepancies.

Furthermore, retailers must secure the appropriate credits to fulfill these obligations, adding financial and administrative burdens. The complexity is further compounded by the requirement to determine the correct credit category, which demands meticulous adherence to regulatory guidelines and industry-specific parameters. Retailers do not track customers or consumption in a way that aligns with these categories. These challenges highlight the need for a regulatory framework that supports realistic forecasting capabilities and alleviates undue burdens on fuel retailers.

The proposal introduces significant challenges with contractual rigidity and reporting delays for fuel dealers. It mandates that dealers must contractually commit to 100% of the clean heat-eligible fuels they plan to sell, imposing a rigid requirement that may not align with market dynamics or unforeseen operational changes. Both the fuel markets and the weather are volatile and unpredictable. To force a 15-month contractual requirement will be difficult at best and will drive unnecessary costs to the consumer as suppliers will have to build in a risk premium to cover for unknown volatility.

Compounding this, actual sales volumes are only reported 21 months after the initial submission of credit forms, as stipulated under Act 42 of 2024. This lengthy reporting delay introduces uncertainties and limits dealers' ability to adjust their strategies in response to real-time market conditions or regulatory updates. Such constraints could potentially hinder operational flexibility and impose unnecessary burdens on dealers striving to comply with regulatory mandates while effectively managing their business operations.

Regarding enforcement of non-compliance and waiver criteria, we believe that the proposal to impose strict penalties, such as doubling standard payment rates for deficient credits, lacks flexibility and fails to consider unforeseen market fluctuations or other external factors beyond the control of obligated parties. We recommend that the Commission adopt a more refined approach that considers the good faith efforts and demonstrated commitment of obligated parties to fulfill their obligations.

Unlike utilities supported by fixed infrastructure such as wires, poles, and pipes, the liquid fuels market is inherently dynamic. With mobile supplies and frequently changing sources based on pricing, this dynamic nature creates market flexibility concerns, especially for small and medium-sized companies. The requirement to make fuel-sourcing decisions 15 months in advance undermines the operational flexibility essential for these businesses to stay competitive.

The market could face disruptions from the proposal's backward-looking compliance mechanism combined with its forward-looking forecasting requirement, leading to misalignment. This issue is particularly pressing in Vermont, where heating fuel is vital during winter. Additionally, the risk of retailers having to comply due to changes in their sourcing decisions retroactively could result in penalties that surpass the operational capacities of many small businesses, potentially driving them out of the market.

In conclusion, while we share the Commission's commitment to promoting clean energy initiatives in Vermont, we believe that the current staff proposals require substantial revision to better align with the practical realities faced by fuel dealers and other stakeholders. Although the straw proposal aims to stabilize the energy market, it ironically introduces significant uncertainties and operational challenges for fuel retailers, disadvantaging small family fuel companies in rural Vermont. We must ensure it does not inadvertently undermine the viability of this critical industry or harm Vermonters who rely on these local companies for their heating needs.

Thank you for considering our perspective on this critical matter. We look forward to contributing constructively to the ongoing dialogue.

Sincerely,

Jim Kurrle

General Manager

jimk@bournes.net

802-888-2611



THE PROPANE PEOPLE

2 Market Street • Proctor, Vermont 05765 • (802) 459-3340

Holly R. Anderson
Clerk of the Commission
Vermont Public Utility
Commission 112 State Street
Montpelier, VT 05620-2701

July 25, 2024

Re: Proceeding to design the potential Clean Heat Standard, Case No.
23-2220

Dear Ms. Anderson:

I would like to offer comments on behalf of Proctor Gas.

Proctor Gas is a female-owned retail propane business with 11 employees. We have operated continuously in Rutland County since 1966. Many of our customers are elderly and among the most vulnerable. Many also rely on propane generators to provide emergency backup power during electricity outages. As a certified LIHEAP supplier, the State of Vermont is one of our largest customers, and many of our neighbors receive fuel assistance to heat their homes.

The straw proposal from the Public Utility Commission (PUC) has me worried sick for business, my employees, and my customers. Foremost, the proposal seeks imponderable data. It asks us to literally forecast the weather by estimating sales volumes up to fifteen months in advance. It asks me to declare 15 months in advance where I am going to purchase my propane (by requiring me to say whether those gallons will be obligated), and if I guess wrong, I will pay two times the compliance fee on October 15. This is 26 months after I filed my form, and it is about time for my customers to call asking for their first fill-up for the winter. How will I even be able to open my doors if faced with a fine for not accurately predicting the weather?

This straw proposal generates many more unanswerable questions. How do I determine whether the credits I will generate in the next 15 months will apply to low-income or moderate-income consumers? Am I supposed to ask my customers for their tax returns? If I have to fix my contract for renewable propane 15 months in advance, what if I don't use that much propane because the weather is warm? Will the PUC refund me the extra contracted amount? What happens if there is a supply issue? The requirement to make decisions about fuel sourcing fifteen months in advance undermines the operational flexibility essential for small and medium-sized enterprises to stay competitive. In addition, this information is trade secret information and should not be disclosed.

"WHERE SERVICE IS A TRADITION"

I am not a wholesaler, but I will be obligated under the Clean Heat Standard because the closest wholesaler is in New York, just 100 yards from the border of Vermont. And yes, we already install heat pumps, which is supposed to generate credits to offset our propane purchases. However, in order for us to get “credit” for doing so, the PUC is allowed to inspect my financial statements and determine whether or not I am fit to be in business. This is outrageous. I think my customers are better equipped for this than the PUC.

We are a dedicated group of scrappy women who take care of our customers by providing propane for heat, hot water, cooking, and backup power. We have persevered through cold winters, warm winters, severe storms, rail strikes, employee illnesses, pandemics, wars, equipment breakdowns, hurricanes, floods, supply disruptions, and other challenges of running a small business in Vermont.

But this Clean Heat Standard will be more challenging than any of that. It is designed by a utility to benefit a utility. There is no question that this policy proposal favors the large fossil fuel corporations in Chittenden County, like VGS, their sister company Green Mountain Power, and their parent company in Quebec. It puts my small company in Proctor at a significant economic disadvantage and will increase costs for my customers. If you want to get rid of small fuel providers in order to eliminate the competition, this is an ideal program. But if you value competition and local companies that take care of the people in their small towns, you will recognize the Clean Heat Standard for what it is and send it back to the legislature for further review.

Respectfully



President/Owner
Proctor Gas Inc.



Fyles Brothers Inc.

425 Needham Hill Rd.
Orwell, VT 05760
(802) 948-2300

July 24, 2024

Holly R. Anderson
Vermont Public Utility Commission

Re: Proceeding to design the potential Clean Heat Standard. Case No. 23-2220

Holly,

After reading the straw proposal regarding the Clean Heat Standard. Case No. 23-2220, please review the comments below which are just a few of the issues we have with the proposal.

To start with, the idea of the five categories of credit obligations is an issue with a small business such as ours. We do not have access to customers financial information to create a database that would determine which customers are “low” income, “moderate” income or above the requirements of both. To obtain this data would require more time and resources then a smaller company such as ours has available. A larger corporation may have a compliance department with the resources to gather this information however we have a total of three office staff that share the responsibility of performing all tasks involved with our daily operation.

Another issue is with the forecasting requirements. This proposal is requiring fuel dealers to predict the volume of fuel sold for the next 15 months. This is an impossible task as so many factors can alter this number, degree days, competition, conversions to other forms of energy. When you add the demand to put this fuel into categories as proposed it makes compliance impossible.

This proposal requires fuel dealers to contract 100% of fuel they will sell however reporting these sales is not required for another 21 months. Unlike a utility like Green Mountain Power that can purchase contracts for power for a 5-year term, liquid fuels are purchased based on ever changing market prices, demand and supply all which can change at any moment. Locking into a long-term contract would take away the ability of smaller fuel companies to compete in the market.

There are so many issues that could disrupt the market when dealing with fuel sales in Vermont which in the winter is a necessity to keep Vermonters safe and warm. In a case in which the pipeline that supplies propane to the northeast should go down or a rail strike (Canadian or American Rail) should occur it would cause allocation of product forcing propane retailers to scramble to purchase product from other suppliers which would change any previous contracts and make previous forecasting to be non-compliant.

If a small business like ours should be put in a situation where we are at risk of non-compliance penalties it would be detrimental to the survival of our company.

Please reconsider this proposal as written, we feel that only the larger corporations will survive these recommendations. Smaller Vermont family-owned fuel companies like Fyles Bros. Inc. would be at a disadvantage and some would be forced to sell to a larger corporation which would have a negative impact on rural and low-income Vermonters by limiting the competitive market for heating fuels in the state.

Sincerely,
Manny Fletcher
Fyles Bros., Inc.



HEATING Oil
K-1 KEROSENE
DIESEL FUEL

P.O. Box 12 • 573 BUSINESS RTE. 4 • CENTER RUTLAND, VERMONT 05736

Tel: 802-773-8143 • FAX: 802-773-6116

July 24, 2024

State of Vermont
Public utility Commission
112 State Street
Montpelier, VT 05620-2701

Dear Commission Members,

I am writing in response to your memorandum dated July 10, 2024, regarding the Clean Heat Standard. First and foremost, I firmly believe the entire Clean Heat Standard proposal is ill conceived and will hurt all Vermont fuel dealers while benefiting large public utilities like Vermont Gas and Green Mountain Power. If the goal of the legislature and its members pushing this agenda is to put hard working Vermonters and the small businesses that employ those workers out of business, then you will achieve your goal at a rapid pace.

With respect to the proposals put forth in the memo there are numerous issues I have with how you want to implement the CHS. Fuel sales are primarily based on weather conditions and there is no way I can predict in August what I will sell over the winter and be expected to attest to those projections and pay based on those projected sales. Equipment installation is often based on an immediate need so projecting installations is virtually impossible and as far as heat pump installation goes 80% of Vermont homeowners couldn't afford a heat pump even if they wanted one. Often heat pump installation requires a complete upgrade of their electrical system in addition to the cost of the heat pump installation all while they have a perfectly good heating system in their basement.

There is a mention of the categories of credits as market price, low income, moderate income and other categories which the dealer has no way of knowing or the right to ask of a customer. I sell fuel to everyone the same way and at the same price and to suggest we differentiate people by income is just wrong and I will not do that.

This entire Clean Heat Standard is nothing more than a "feel good" money grab by the Vermont government simply called something other than a tax. If you intend to implement this craziness, why not deal with it like any other fuel tax and set a rate and force dealers to file tax reports post-sale like we currently do. Complicating it with confusing language, fictitious heat credits, and a system which the PUC can't even design or figure out is not going to help anyone and hurt every consumer and small fuel business in Vermont. I urge the PUC to listen to the people in the fuel business and our advocates who understand what we do and how we do it.

Cordially,

A handwritten signature in black ink, appearing to read "Thomas M. Johnson", written over a white background.

Thomas Johnson
President



July 25, 2024

Filed via ePUC

Holly R. Anderson
Vermont Public Utility Commission
112 State Street
Montpelier, VT 05620-2701
holly.anderson@vermont.gov

Re: Valero Comments on the Proceeding to design the potential Clean Heat Standard, Case No. 23-2220

Dear Ms. Anderson:

On July 10, 2024, the Vermont Public Utility Commission (“Commission”) issued a Staff Straw Proposal on Credit Fulfillment Plans and Criteria, which included a proposed schedule related to the process of filing a compliance plan regarding the potential Clean Heat Standard (“CHS”). The Valero family of companies (representing operating subsidiaries of Valero Energy Corporation) submits the following comments on this proposal.

Staff Proposal:¹

Proposed schedule: The following schedule would take place during the year preceding the compliance period.

Activity	Date
Publication of DDA credit cost	May 1
Obligated parties file compliance plans	August 1
Commission review/approval of compliance plans	October 1

General Comments

The Commission's straw proposal would require obligated parties to file compliance plans by August 1 for fuel transactions projected for the subsequent year. Additionally, in compliance plans “[f]or delivered clean heat measures, the obligated party must attest that it has secured adequate supply of eligible fuels through contracts.”² In other words, the proposal requires fuel dealers to

¹ Vermont Public Utility Commission, *Memorandum on Staff Straw Proposals on Credit Fulfillment Plans and Criteria, Non-compliance and waiver process* (July 10, 2024) at 3.

² *Id.*



predict in August how many gallons they will sell in the next calendar year and make decisions on how to generate "clean heat credits from eligible fuels" fifteen months in advance.

This requirement is unfeasible for the fuels market, which is inherently fluid and subject to change. Unlike utilities supported by fixed infrastructure and guaranteed rates of return, fuel supplies and sourcing locations frequently change without notice. Government regulations on petroleum products and/or particular suppliers can also cause outages or permanent shutdowns, leaving fuel dealers without agreed upon gallons and forcing dealers to scramble in order to supply valued Vermont customers. Simply put, the requirement to make decisions about fuel sourcing 15 months in advance is not "real world", and the requirement undermines the operational flexibility and competitiveness of a constantly changing market. Consequently, the Commission's proposal will likely have the unintended effect of limiting the ratable supply of affordable fuel to Vermont and could have disastrous consequences for Vermont consumers. Fuel retailers and dealers regularly modify sourcing strategies mid-year to give themselves and their customers the best prices they can. But requiring dealers to commit to a single supply-source months in advance will likely cause major disruption to the market.

While the Commission's proposal is intended to stabilize the energy market, the straw proposal ironically introduces significant uncertainties and operational challenges for fuel dealers. A re-evaluation of the proposal is recommended to ensure that it does not inadvertently undermine the viability of a critical industry and harm Vermonters who depend on fuel for their heating solutions.

* * *

Valero appreciates the opportunity to comment and would welcome the opportunity to have additional discussions on these issues. Please do not hesitate to contact me with any questions or if Valero or I can otherwise be of assistance.

Sincerely,

A handwritten signature in black ink, appearing to read 'JPerrone', written in a cursive style.

JEFF PERRONE
SENIOR MGR - NORTHEAST



1036 Main St Bennington VT 05201
E-mail: info@mirabito.com

Phone: 802-430-6009 or 800-934-9480

Holly R. Anderson
Vermont Public Utility Commission

Re: Proceeding to design the potential Clean Heat Standard, Case No. 23-2220

Inherent Challenges in the Straw Proposal for Clean Heat Credit System

The Public Utility Commission's (PUC) straw proposal introduces a segmented approach by dividing credit obligations into five categories. It mandates obligated parties to use a designated form to detail the nature of credits that the obligated party will generate or that will be the responsibility of the default delivery agent will be responsible for delivering. This form is required to be completed by August 1 for fuel transactions projected for the subsequent year. Additionally, fuel retailers are obligated to confirm that they have secured an adequate supply of eligible fuels through binding contracts.

Concerns Raised by the Proposal:

Impractical Forecasting Requirements:

- Fuel retailers are asked to estimate sales volumes for heating oil, kerosene, and propane for the next 15 months.
- This includes specifics on obligated gallon volumes and the acquisition of necessary credits to meet these obligations.
- The demand to determine the credit category further complicates compliance.

Contractual Rigidity and Reporting Delays:

- The proposal requires fuel dealers to contract 100% of the clean heat-eligible fuels they intend to sell. At the same time, actual sales volumes are reported 21 months after the initial credit form submission under the stipulations of Act 42 of 2024.

Market Flexibility Concerns:

- Unlike utilities supported by fixed infrastructure (wires, poles, pipes), the liquid fuels market is inherently dynamic, with supplies being mobile and sources frequently changing based on pricing.
- The requirement to make decisions about fuel sourcing 15 months in advance undermines the operational flexibility essential for small and medium-sized enterprises to stay competitive.

Regulatory Instability and Market Exit Risks:

- The unpredictable obligation status from one year to the next destabilizes both fuel and clean heat credit markets.
- Potential scenarios where retailers modify sourcing strategies mid-year could lead to significant market disturbances.

Financial Viability for Small Businesses:

- The proposal requires an indication of anticipated compliance costs and evidence of financial capability to meet these costs.
- Small retail companies will find it challenging to demonstrate financial readiness and comply with the demands, particularly in a competitive and unequal marketplace.

Potential Market Implications:

- The proposal's backward-looking compliance mechanism, coupled with its forward-looking forecasting requirement, creates a misalignment that could disrupt the market. This is particularly concerning in Vermont's context, where heating fuel is a critical commodity in the winter.

- The scenario where a retailer might need to retroactively become an obligated party due to changes in sourcing decisions poses a significant risk of non-compliance penalties that could exceed the operational capabilities of many small businesses, potentially leading to market exits.

Conclusion:

While intended to stabilize the energy market, the straw proposal ironically introduces significant uncertainties and operational challenges for fuel retailers. The proposal favors larger fossil fuel corporations, like VGS, which has substantial financial resources. It puts small family fuel companies in rural areas of Vermont at a significant disadvantage. A re-evaluation of the proposal is recommended to ensure that it does not inadvertently undermine the viability of a critical industry and harm Vermonters who depend on these local companies for their heating solutions.

Sincerely:

Dan Fitzgerald

Region General Manager
Mirabito Energy Products
Capital Region/Western Mass/ Vermont

A handwritten signature in black ink, appearing to read 'Dan Fitzgerald', written in a cursive style.

5197 Main St, Waitsfield, VT 05673
(802) 496-4328



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(802) 728-5537

141 Wall St, Northfield, VT 05663
(802) 485-3766

July 25, 2024

Holly R. Anderson
Vermont Public Utility Commission

RE: Proceeding to design the potential Clean Heat Standard, Case No. 23-2220

Dear Ms. Anderson,

As co-owner of a multi-generation family business since 1962, we sell heating oil, kerosene, propane, and diesel fuel. We deliver within a 50-mile radius of Northfield and employ approximately 60 people.

I have read the Staff Straw Proposals on Credit Fulfillment Plans and Criteria, Non-compliance and waiver process. Respectfully, I would like to share some concerns that I have for consideration.

It is my understanding that the fuel dealers will be required to provide estimated sales for the following calendar year. We will also need to provide how we will generate credits. There are many factors that impact these predictions.

Will we have a cold winter or a warm winter. Will it be a short one? Or will it get cold early in the season and last well into spring? Will we be awarded fuel bids for large commercial accounts after we have submitted our sales estimates and get penalized later because we exceeded expectations? Or will we lose bids and pay too much to a designated delivery agent because we overestimated? Should we turn down potential growth because we are at risk of being penalized?

If we elect to obtain heat credits through multiple means:

Contracts – this potentially forces the fuel dealers to lock in pricing with a supplier without selling fixed pricing for the same gallons to customers. The fuel dealer is exposed to a significant financial loss should market prices decline significantly and they are forced to sell it at rates below what they paid for it.

Installed Measures – To provide a prediction of installation sales of approved equipment is solely at the discretion of the consumer and therefore unpredictable.

24-Hour Customer Emergency Service · Fuel Oil · Ultra-Low Sulfur Diesel Fuels · Kerosene · Liquefied Propane Gas
Complete Heating Installations · Oil-Fired Boilers & Furnaces · Wood/Oil Furnaces · Radiant Floor Heating · Plumbing · Excavating



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I would like to recommend consideration of either a built-in allowance for a % over or under estimations with a reconciliation at the end of the period, without penalty. Or/and an adjustment option for those fuel dealers who chose to elect to obtain heat credit through multiple means as the predictions could be unintentionally overstated or understated based on the year's sales. This would allow a final "settlement" after reconciliation, without penalty. Additionally, if there are unused credits at the end of any given year, the fuel dealers should be allowed to automatically carry them over into the following year. Especially if there is a default payment equal to two times the amount established for non-compliance.

I appreciate your time.

Sincerely,

A handwritten signature in blue ink that reads "Robert Korrow". The signature is written in a cursive, flowing style.

Robert Korrow
Co-President

RK/csj



July 25, 2024

Vermont Public Utility Commission
Attn: Holly Anderson

RE: Proceeding to Design the Potential Clean Heat Standard, Case No. 23-2220

Ms. Anderson,

Thank you for the opportunity to provide feedback on the Straw Proposals on Credit Fulfillment Plans and Criteria, Non-compliance and waiver process. NGL Supply Terminal Company has reviewed the Proposal, and while there are a number of items in the Proposal that require adjustment to ensure the eventual program presents a workable framework, NGL's primary concern is that the Proposal appears to closely mirror the framework that applies to electric utilities. The distinctions between the fuel retailers space and the electrical utilities industry are substantial enough that the electrical utilities program is not an appropriate model for this space, at least not without significant adjustment.

While we have attempted here to identify certain problematic provisions of the Proposal and outline limited potential alternative approaches, we would invite the opportunity to dialogue with staff regarding the Proposal and certain discrete opportunities to better align the Proposal with current practices and procedures of industry.

Concerns Raised by the Proposal:

The Proposal requires impractical forecasting requirements. Fuel retailers are asked to estimate sales volumes for heating oil, kerosene, and propane for the next 15 months, including specifics on obligated gallon volumes and the acquisition of necessary credits to meet these obligations. This is not practicable. The estimates required will be so lacking in accuracy that their utility will be nearly zero. Further, the requirement to determine the credit category will complicate compliance.

Contractual Rigidity and Reporting Delays:

The proposal requires fuel dealers to contract 100% of the clean heat-eligible fuels they intend to sell. At the same time, actual sales volumes are reported 21 months after the initial credit form submission under the stipulations of Act 42 of 2024. This requirement is also impracticable and could be adjusted to more appropriately match the dynamics of the fuel provider marketplace.

Market Flexibility Concerns:

Unlike utilities supported by fixed infrastructure (wires, poles, pipes), the liquid fuels market is inherently dynamic, with supplies being mobile and sources frequently changing based on pricing. The requirement to make decisions about fuel sourcing 15 months in advance undermines the operational flexibility essential for small and medium-sized enterprises to stay competitive.

Regulatory Instability and Market Exit Risks:

The unpredictable obligation status from one year to the next destabilizes both fuel and clean heat credit markets. Potential scenarios where retailers modify sourcing strategies mid-year could lead to significant market disturbances. In short, measures should be taken to make the credit obligation more predictable.

Potential Market Implications:

The proposal's backward-looking compliance mechanism, coupled with its forward-looking forecasting requirement, creates a misalignment that could disrupt the market. This is particularly concerning in Vermont's context, where heating fuel is a critical commodity in the winter. The scenario where a retailer might need to retroactively become an obligated party due to changes in sourcing decisions poses a significant risk of non-compliance penalties that could exceed the operational capabilities of many small businesses, potentially leading to market exits.

Conclusion:

While intended to stabilize the energy market, the Proposal ironically introduces significant uncertainties and operational challenges for fuel retailers. A re-evaluation of the Proposal is recommended to ensure that it does not inadvertently undermine the viability of a critical industry and harm Vermonters who depend on these local companies for their heating solutions.



1024 Suncook Valley Hwy, C5
PO Box 1071
Epsom, NH 03234

July 29, 2024

Re: Proceeding to design the potential Clean Heat Standard, Case No. 23-2220

The Propane Gas Association of New England (PGANE) is pleased to have the opportunity to offer its comments regarding Proceeding to design the potential Clean Heat Standard, Case No. 23-2220.

PGANE is a regional alternative energy trade association representing members of the propane industry in the 6 New England States. We exist to serve the propane industry by promoting safety, education, and public awareness of the uses of propane. Our membership includes propane companies and suppliers, including numerous small companies who are often family owned and operated, many for several generations.

Propane is the cleanest burning of all combustion fuels, and critical for energy security. For rural Vermonters and citizens living in older homes it is an affordable and reliable energy that promotes environmental justice. For families with health concerns or small children or for critical infrastructure such as hospitals and cell towers, propane is a reliable energy source for backup generators when the electricity fails. For tourists camping and hiking through our state, or visiting a hot air balloon festival, propane is the portable clean energy that is utilized. For Vermonters living off the grid, building a net zero home, or living in a tiny home, propane is the backup, cooking, and hot water source they utilize to complement solar. Vermont will always need a non-toxic energy source that is blessed by chemistry to fit into a small container and generate a great deal of energy in times of natural disaster.

Concerns Raised by the Proposal:

On behalf of our member companies in Vermont, we have strong concerns about the raised straw proposal. Foremost, the proposal seeks imponderable data. Most of our members are small companies, and this proposal places an unfair burden on these companies. The PUC is requesting impractical forecasting that is literally weather dependent. Propane retailers are asked to estimate sales volumes for the future 15-month period. These estimates if incorrect, may be penalized at double the penalty. This is grossly unfair as it is akin to fining the weather forecasters if they get the weather forecast wrong. In addition, the PUC is asking for and even considering making this information open for public review, which is a violation of trade secret information.

There are numerous future situations that may occur to change any estimate provided by a company. Among these future situations are cold winters, warm winters, severe storms, rail strikes, employee illnesses, pandemics, world events, wars, equipment breakdowns, hurricanes, floods, supply disruptions, equipment parts supply delays, etc.

In addition to these numerous unknown future events, there are also further complications in determining specific credit categories. How does a company determine whether the credits they will generate in the future 15 months will apply to low income or moderate-income consumers? Small businesses aren't in the

business of determining whether their customers are classified as low or moderate income, and even if they were, how are they to predict which of these customers will decide to implement future credit generating action items. Again, the proposal is asking for imponderable data.

Additional Concerns Regarding Contractual Rigidity and Reporting Delays:

The proposal requires propane companies to contract 100% of the clean heat-eligible fuels they intend to sell. At the same time, actual sales volumes are reported 21 months after the initial credit form submission under the stipulations of Act 42 of 2024. This requirement is more appropriately geared toward a utility and not a free market. Unlike utilities supported by fixed infrastructure (wires, poles, pipes), the propane market is inherently dynamic, with supplies being mobile and sources frequently changing based on pricing. This free market dynamic benefits consumers by keeping prices competitive and affordable. Our companies are continuously shifting their supply to utilize the lowest cost of supply. This varies weekly depending on numerous factors. The requirement to make decisions about fuel sourcing 15 months in advance undermines the operational flexibility essential for small and medium-sized enterprises to stay competitive. In addition, this information is trade secret information and should not be disclosed.

Additional Concerns Regarding Financial Viability for Small Businesses:

The proposal requires an indication of anticipated compliance costs and evidence of financial capability to meet these costs. Small retail companies may find it challenging to demonstrate financial readiness and comply with the demands, particularly in a competitive and unequal marketplace. This requirement on its own may lead to more small businesses selling to larger competitors.

Additional Concerns Regarding Potential Market Implications:

It seems that this process continues to get more and more complicated. The proposal's backward-looking compliance mechanism, coupled with its forward-looking forecasting requirement, creates a misalignment that could disrupt the market. This is particularly concerning in Vermont's context, where propane is a critical commodity in the winter. It is incredulous to see the state of Vermont not embrace propane as part of their strategy to reduce carbon emissions. Especially in a state that is so reliant on propane for energy security and backup power. Without a strong reliable non-toxic partner to provide diverse energy backup Vermont is putting its citizens at extreme risk.

The scenario where a retailer might need to retroactively become an obligated party due to changes in sourcing decisions poses a significant risk of non-compliance penalties that could exceed the operational capabilities of many small businesses, potentially leading to market exits. If these companies do exit the market, they will be purchased by a larger company, and this proposal does not seem to address acquisitions and how companies would address these inherent additional obligations. Would there be a penalty for new customers gained through acquisitions, or through the need for back up heat when a cold winter proves the problems with heat pumps keeping up with low temperatures? We are already seeing many customers retrofit their heat pump only homes with backup propane appliances during cold periods when heat pumps are not efficient, affordable, or effective. Would these additional future customers require double penalties?

The unpredictable obligation status from one year to the next destabilizes both fuel and clean heat credit markets. Recordkeeping burdens and additional regulations will likely decrease competition, eliminate small local businesses, and lead to higher prices. As prices for propane are forced to increase to the citizens of

Vermont, many of our customers will turn to increasing their usage of wood heat, which is much more harmful to the environment than the burning of propane. Across the globe, propane is being used by countries to reduce emissions from wood burning, yet the Vermont plan encourages this high emission unfriendly environmental type of energy. Giving dirtier wood burning energy incentives unfairly encourages the replacement of cleaner burning propane.

Propane Protects During Extreme Climate Events

Vermont's history with Irene shows the importance of this need for critical infrastructure in Vermont. Propane is the unsung energy hero of extreme weather events, and if climate change is going to increase the likelihood of these events as many predict, then we need to make sure that Vermont has a healthy vibrant propane industry to step in and provide energy security during emergencies. Vermont needs a reliable backup power to provide heat to our homes and to cook and boil water during emergencies. Propane is the best solution for Vermont since it is nontoxic, does not contaminate groundwater or surface water, is portable, and is already present across our state supporting local businesses and employees by providing green jobs.

Timing of Reporting Requirements

PGANE applauds the PUC for the proposed timeline for reporting. We appreciate the Commissions consideration of our busy heating season and applaud the reporting times during our least busy time of year. This is especially critical for our many small companies.

Conclusion:

While intended to stabilize the energy market, the straw proposal ironically introduces significant uncertainties and operational challenges for propane retailers. The proposal favors larger fossil fuel corporations, like VGS, which has substantial financial resources. It puts small family propane companies in rural areas of Vermont at a significant economic disadvantage, which will increase costs for Vermont consumers. A re-evaluation of the proposal is recommended to ensure that it does not inadvertently undermine the viability of a critical industry and harm Vermonters who depend on these local companies for their heating solutions.

Thank you for the opportunity to comment.



Leslie Anderson
President and CEO
Propane Gas Association of New England



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July 26, 2024

Holly R. Anderson
Clerk of the Commission
Vermont Public Utility Commission
112 State Street
Montpelier, VT 05620-2701

RE: Proceeding to design the potential Clean Heat Standard, Case No. 23-2220

Dear Ms. Anderson:

Suburban Propane writes in regards to the Public Utility Commission’s (“PUC”) memorandum dated July 10, 2024 outlining the straw proposal on credit fulfillment plans for the Clean Heat Standard (the “Straw Proposal”). We have significant concerns regarding the inflexibility of the Straw Proposal on obligated parties and believe it will have a negative impact on our customers.

Suburban Propane has been serving customers for 96 years and is the nation’s third-largest propane retailer with operations in 42 states. In Vermont, we have 109 employees serving more than 35,000 customers.

As currently drafted, the Straw Proposal requires each obligated party to file a credit compliance plan annually by August 1 of the year immediately prior to the start of the next compliance period. For five separate categories, the obligated party must specify the number of credits it intends to obtain for the upcoming compliance period through the delivery of clean heat measures, contracting for delivery of clean heat measures, or market purchase of clean heat credits, or payment to the default delivery agent.

The liquid fuels market relies on dynamism and flexibility to provide consumers the best possible pricing for the energy they need to cook and heat their homes. Fuel dealers are able to change their sourcing based on current circumstances, ensuring a competitive price for fuel for themselves and their customers. However, the Straw Proposal is incredibly inflexible and requires fuel dealers to prognosticate on weather conditions and customer habits well into the future. Obligated parties would be required to estimate sales volumes and contract for all the clean heat credit-eligible fuels they intend to sell more than a year ahead of time. This will lock fuel dealers into receiving their supply from certain sources, preventing them from getting better pricing and putting upward pressure on consumer prices. In addition, the Straw Proposal



does not consider how the fuels market is constantly evolving with low-carbon fuels, like renewable propane and low-carbon propane blends. An obligated party's plan submitted in August may not incorporate low-carbon fuels that come to market at a later date that could be critical in reducing Vermont's carbon emissions.

The Straw Proposal also requires the PUC to approve each compliance plan by October 1. This short period of time only allows 60 days for the PUC to review hundreds of plans that include detailed information on how each obligated party intends to earn the requisite number of clean heat credits for each credit category. The proposed schedule is wholly inadequate and does not allow the PUC to properly determine whether obligated parties can meet their obligations under the Clean Heat Standard.

Based on the foregoing, we urge the PUC to reconsider its Straw Proposal and allow additional flexibility for obligated parties to generate clean heat credits based on current conditions, not on unreliable forecasts more than a year out. In addition, we encourage the PUC to reevaluate the timeframe for the proposed schedule, to make certain all obligated parties' plans have adequate time for review and approval. If you would like, we would be happy to set up a meeting with you and/or your staff to discuss this. Thank you for your consideration.

Sincerely,

/s/ Paul M. Rozenberg

Paul M. Rozenberg
Sr. Manager, Government Affairs &
Corporate Communications
Suburban Propane