

From: [Barry Aruda](#)
To: [PUC - Clerk](#)
Subject: Re: Case No. 23-2220-RULE – Proceeding to Design the Potential Clean Heat Standard
Date: Monday, October 28, 2024 3:11:45 PM

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Dear Ms. Anderson,

On October 1, 2024, the Vermont Public Utility Commission (“Commission”) issued a draft rule for the Clean Heat Standard (“CHS”). The following comments are in response to the draft regulation.

The Public Utility Commission should do the following to help obligated parties and their downstream customers understand the financial implications of the credit market, make economic decisions about whether to purchase forward contracts, and build capacity for sustainable liquid and gaseous fuels. As pointed out in the Status Report that accompanied the Draft Rule, this regulatory structure has “the potential for fraud and market manipulation.” We agree. With that concern in mind, please consider the following as you further design this policy over the next 75 days for the Legislature to consider.

- Determine the amount of the Clean Heat Fee that must be paid by the obligated parties on a per-gallon basis.
- Determine on what date the Clean Heat Fee will apply to gallons sold.
- Determine where, when, and how the Clean Heat Fee is paid.
- Ensure the Clean Heat Fee collection method models an existing tax collection structure in order to prevent “fraud and market manipulation.”
- Shorten the time frame for collecting the Clean Heat Fee (similar to existing tax collection methods) to ensure that there is a nexus between the gallon sold and the fee attached to that gallon in order to prevent “fraud and market manipulation.”
- Provide obligated parties with the amount of the Clean Heat Fee 18 months in advance. This information should be on a per-gallon basis for heating oil, kerosene, and propane.
- Recommend that the legislature remove non-mobile sales of heating fuels (from a stationary pump or in a canister) from the Clean Heat Standard registration and Clean Heat Fee calculation. This would reduce the number of potentially regulated entities by approximately 60% and ensure that canisters used for cooking or emergency heat remain widely available to Vermonters.
- Ensure renewable propane is counted as a “sustainably sourced biofuel” under Act 18.
- Provide details about how much credit obligated parties will earn if they replace traditional propane with renewable propane.

- Ensure biodiesel is counted as a "sustainably sourced biofuel" under Act 18.
- Provide details about how much credit obligated parties will earn if they replace traditional heating oil with biodiesel.
- Ensure renewable diesel is counted as a "sustainably sourced biofuel" under Act 18.
- Provide details about the credit that obligated parties will earn if they replace traditional heating oil with renewable diesel.
- Recommend the legislature exempt kerosene from the Clean Heat Credit Fee as this fuel is used primarily by low and moderate-income Vermonters who live in homes that are more difficult to implement clean heat measures.
- Remove the requirement that obligated parties provide detailed estimates of where and how they will acquire future Clean Heat Credits two years in advance of the credits being counted and verified by the PUC.
- Develop a robust enforcement program to ensure gallons sold from fuel trucks coming from outside of Vermont are counted when they are delivered and not 18 months after the fact in order to prevent "fraud and market manipulation."

In order for heating service contractors and equipment wholesalers to understand the financial implications of the credit market and make economic decisions to build capacity for equipment and services that qualify for Clean Heat Credits, the Public Utility Commission should do the following:

- Ensure that Clean Heat Credits are verified and counted after they are delivered and installed and not before.
- Ensure that heating contractors who install clean heat measures are able to own Clean Heat Credits and that they are not forfeited to energy utilities.
- Ensure that heating contractors who install clean heat measures and clean heat energy sellers can mint the credits that they install or deliver.
- Ensure that heating contractors who install clean heat measures and clean heat energy suppliers can sell or trade these minted credits with obligated parties.
- Provide a clear and transparent "Credit Exchange" where heating contractors, equipment wholesalers, and obligated parties can buy and sell Clean Heat Credits.
- Ensure that this "Credit Exchange" is regulated to prevent "fraud and market manipulation."
- Ensure that Clean Heat Credit Claim Forms are certified by the PUC before they are traded between heating contractors and obligated parties to prevent "fraud and market manipulation."
- Ensure that credit aggregators are certified by the PUC to prevent "fraud and market manipulation."

Please provide clear direction to the above points in the Final Clean Heat Standard Regulation when it is submitted to the Legislature on January 15, 2025.

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