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October 30, 2024

**VIA ELECTRONIC SUBMISSION**

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

***RE: Case No. 23-2220 – Comments on the Clean Heat Standard Draft Rule***

Dear Ms. Anderson:

Suburban Propane writes in regards to the Draft Rule for the Clean Heat Standard (“Draft Rule”) and the accompanying Companion Status Report (“Report”) published on October 1, 2024. 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.

Suburban Propane agrees with the PUC’s findings that the Clean Heat Standard (“CHS”) “does not make sense for Vermont.” We also support the consideration of other options to achieve greenhouse gas reductions in Vermont’s thermal sector, as long as those options are technology-neutral. However, should the General Assembly approve the CHS, we urge the PUC to ensure that renewable propane and low-carbon intensity propane blends are included as eligible clean heat measures.

The Report summarizes the key points of the Draft Rule, which covers the responsibilities of obligated parties under the CHS, and provides that the PUC will issue several additional orders covering other areas of implementation, including, but not limited to: fuel dealer registration; setting the clean heat credit retirement schedule; setting the carbon intensity values for liquid and gaseous clean heat measures; and establishing obligated parties and their clean heat credit requirements.<sup>1</sup> Suburban Propane looks forward to working with the PUC and providing input on those orders if and when they are released.

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<sup>1</sup> See Draft Clean Heat Standard Rule Companion Status Report, pg. 5



In addition, the Report highlights serious problems with the CHS as drafted under Act 18. Specifically, the PUC writes that the CHS “as currently conceived requires substantial additional costs and regulatory complexity above the funding needed to accomplish Vermont’s greenhouse gas emission reduction goals.”<sup>2</sup> The Report further states that its work on the CHS “demonstrates that it does not make sense for Vermont, as a lone small state, to develop a clean heat credit market and the associated clean heat credit trading system to register, sell, transfer, and trade credits,” and the PUC will be considering other options to reduce greenhouse gases in Vermont’s thermal sector.<sup>3</sup>

The CHS is the wrong approach to decarbonize Vermont’s thermal sector. The program would be prohibitively costly for the State’s residents. In the NV5 report prepared for the Vermont Department of Public Service dated September 1, 2024, it was determined that the CHS could cost propane customers as high as \$23.20/MMBtu and heating oil customer as high as \$29.10/MMBtu, which represents a 64 percent increase in costs for propane customers and 82.2 percent increase for heating oil.<sup>4</sup> For many households in Vermont, this is an exorbitant price to pay, and at a time of rising costs, simply unsustainable for many Vermont households. In addition, as mentioned in the Report, the CHS program would be incredibly complex and onerous for Vermont’s fuel dealers, many of them small businesses with few staff that are simply unable to handle the registration, reporting, and clean heat credit requirements.

As it considers alternative options to the CHS, we encourage the PUC to adopt technology-neutral policies to decarbonize buildings in Vermont. While the CHS purports to be technology-neutral, its provisions suggest otherwise as it prohibits the generation of clean heat credits for households switching from one traditional high-carbon intensity fuel source to another lower-carbon intensity traditional fuel. This means that customers wishing to switch from heating oil to propane would not qualify for clean heat credits, even though propane, with an approximate carbon intensity score of 80, is a lower-carbon intensity fuel than heating oil, which has an approximate carbon intensity score of 100. Propane also has the added benefit of being a reliable and abundant energy source; millions of households and businesses use propane for heating, cooking, and other purposes. Encouraging the switch to lower-carbon fuels, including traditional propane, would lead to an immediate reduction in greenhouse gas emissions.

However, should the General Assembly vote to adopt the Clean Heat Standard, we urge the PUC to ensure that renewable propane and low-carbon intensity propane blends are included in the list of clean heat measures eligible for credits. Renewable propane clearly meets the statutory criteria to be included in the list of clean heat measures. While chemically similar to traditional propane, renewable propane is created from sustainably sourced feedstocks, including fats, greases, oils, waste, crop residues, etc... Depending on the production and delivery method, the California Air Resources Board (CARB) has verified a range

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<sup>2</sup> *Id.*, pg. 8

<sup>3</sup> *Ibid.*

<sup>4</sup> See Vermont Department of Public Service – Clean Heat Standard Assessment of Thermal Sector Carbon Reduction Potential in Vermont, pg. 56



of carbon intensity scores for renewable propane available today from 62 to 20.5, well below the 2025 and 2030 CI benchmarks.<sup>5</sup> In addition, the supply of low-carbon propane blends, which include traditional propane blended with renewable propane and renewable dimethyl ether, should also be included in the list of eligible clean heat measures. There is no express prohibition in the law excluding blended fuels from the list of eligible clean heat measures. Further, these energy sources meet the statutory requirements as they include sustainable sourced biofuels and have carbon intensity scores below the benchmarks.

The benefits of using renewable propane and low-carbon blended fuels are significant. Consumers will be able to lower their carbon footprint almost immediately by switching to renewable propane and low-carbon propane blends. In addition, the carbon intensity scores for these fuels continue to get lower through innovation and have the potential to become negative. Finally, renewable propane and low-carbon blended fuels are drop-in fuels for current propane customers, meaning they can use the fuel with the infrastructure they already have, saving them thousands of dollars in conversions. Not including these fuels on the clean heat measures list leaves powerful tools in reducing carbon emissions unused and forces consumers to pay for converting their heating systems.

Suburban Propane applauds the PUC for recognizing that the Clean Heat Standard is not the right solution for Vermont to reduce greenhouse gas emissions in the thermal sector and urges the Commission to consider truly technology-neutral approaches to reduce emissions. However, if the CHS is approved, we urge the PUC to ensure that renewable propane and low-carbon propane blends are eligible for clean heat credits. Please let me know if you have any questions or need additional information. 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

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<sup>5</sup> See <https://ww2.arb.ca.gov/resources/documents/lcfs-pathway-certified-carbon-intensities>