

STATE OF VERMONT  
PUBLIC UTILITY COMMISSION

Case No. 23-2220-RULE

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Proceeding to design the potential Clean Heat Standard	
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Order entered: 11/19/2024

**ORDER ADOPTING INTERIM EARLY ACTION CREDIT OWNERSHIP METHODOLOGY**

**I. INTRODUCTION**

In Public Act 18 (2023 Vt., Bien. Sess.) (“Act 18”), the Vermont Legislature directed the Vermont Public Utility Commission (“Commission”) to develop a proposed Clean Heat Standard.<sup>1</sup> Pursuant to 30 V.S.A. § 8127(b), the Commission is to establish a standard methodology for determining ownership of clean heat credits.

On July 16, 2024, the Commission issued an order adopting an interim standard credit ownership methodology based on the extensive public input the Commission had received over the previous seven-and-a-half months as well as consultation with the Equity and Technical Advisory Groups. The Commission indicated that the initial ownership of early action credits — which should be understood to be all credits generated by eligible actions taken between January 1, 2023, and December 31, 2025 — would be addressed in a future order.

This Order describes the methodology that the Commission intends to use to determine what entity initially owns an early action clean heat credit upon its creation. The Order also addresses the registration of early action credits, how early action credits will be valued, and how early action credits from other existing programs will be treated.

**II. LEGAL STANDARD**

A “clean heat credit” is a tradeable, nontangible commodity that represents the amount of greenhouse gas reduction attributable to a clean heat measure.<sup>2</sup>

Beginning January 1, 2023, clean heat measures that are installed and provide emission reductions may create clean heat credits. Upon establishment of the clean heat credit system,

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<sup>1</sup> For an overview of the work done to date and other information on the proposed Clean Heat Standard, please see the Commission's clean heat website at <https://puc.vermont.gov/clean-heat-standard>.

<sup>2</sup> 30 V.S.A. § 8123(2).

entities may register these clean heat measures.<sup>3</sup> We refer to the resulting credits as “early action credits.” Any clean heat measure installed or delivered between January 1, 2023, and December 31, 2025, or the effective date of a Clean Heat Standard rule, will be eligible to result in early action credits.

### **III. PROCEDURAL HISTORY**

On September 18, 2023, the Commission issued an order requesting comments on early action credits. The Commission received comments from participants between October 5 and 20, 2023.

On December 12, 2023, the Commission issued an order addressing early action credits. That order established preliminary documentation and recordkeeping practices for potential early action credit claims. The order did not address the topics of credit creation, valuation, or ownership.

The Commission has also received feedback on early action credit ownership from the Equity Advisory Group and the Technical Advisory Group.

### **IV. DISCUSSION**

#### **Ownership of Early Action Credits**

The Technical Advisory Group (“TAG”) recommends that early action credits should be owned by those entities that implemented clean heat measures or can otherwise establish a contractual claim to the credits. The TAG reasons that end-use customers appear to have been making investment and delivered-fuel decisions without expectation of later financial benefit derived from the sale of early action credits. As such, the TAG contends the public good will be advanced by assigning early action credits in a way that reduces the overall cost of the clean heat standard or increases investment in clean heat measures.

The Equity Advisory Group recommends that, for installed measures, the ownership structure should be the same for during the early action period and the full program implementation. The group contends that it would be inequitable to treat property owners differently during different phases of the Clean Heat Standard implementation.<sup>4</sup>

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<sup>3</sup> 30 V.S.A. § 8124(c).

<sup>4</sup> Equity Advisory Group memo of 5/15/24, submitted on 5/22/24 by Vermont Housing Finance Agency.

We agree with the TAG’s reasoning that end-use customers have been making decisions about whether to adopt clean heat measures without the expectation of later benefit. Therefore, we adopt the TAG’s recommendation for initial ownership of early action credits. For installed measures this ownership methodology differs from the interim ownership model adopted on July 16, 2024. The table below illustrates the two ownership models.

	Early Action Credits	Post Program Implementation
Installed measures	Contractual claim, or installer	Building owner
No-cost programs	Program administrator	Program administrator
Delivered measures	Fuel dealer	Fuel dealer
Customer measures	Contractual claim, or installer	Written agreement

For installed and custom measures, when registration for early action credits begins, any entity with a contractual claim to credits generated by clean heat measures installed between January 1, 2023, and the beginning of the clean heat program should register the measure and include the documentation of the contractual arrangement. That contract should be between the registering entity and the building owner or whoever authorized the work. If an early action measure is not claimed by an entity with a contractual agreement, the entity who installed the measure may register that action for credit. The same measure may not be claimed twice, so if two entities claim the same measure, the entity with the contractual agreement with the building owner will receive any associated credits. If two entities submit valid contractual agreements, whichever contractual agreement was executed first will receive any associated credits. The Vermont Department of Public Service will determine which entity has a valid claim to early action credits and may submit disputes to the Commission for further adjudication.

We wish to make clear that we grant ownership of early action credits for installed measures completed under an existing low-income weatherization agency program to the program administrators.<sup>5</sup> If the Clean Heat Standard program is adopted, those entities would be able to trade or sell those early action credits and, potentially, use the proceeds to serve additional customers.

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<sup>5</sup> For example, early action credits from the Vermont Home Weatherization Assistance Program would be owned by the Vermont Office of Economic Opportunity.

For early action credits resulting from programs administered by Vermont's regulated utilities (energy efficiency utility and electric and natural gas distribution utilities), we presume that the regulated utilities would have some contractual claim. The Commission has jurisdiction regarding these utilities and their programs pursuant to 30 V.S.A. §§ 203, 209, 218c, 231, and 8004-8005. In addition, the Commission has jurisdiction regarding utility rates pursuant to Sections 218d, 225, and 226. If the Clean Heat Standard is adopted by the Legislature, it will be necessary to determine how to treat any revenues from early action credit sales for utility ratemaking and changes to energy efficiency utility budgets and performance targets, if any.

### Registration of Early Action Credits

The TAG recommends “that the PUC initiate, as soon as possible, the process for registering creditable activities to date, estimating their emissions impacts, cataloguing them according to their causes and incentives, if any (*i.e.*, whether efficiency, weatherization, Tier 3, or something else), and addressing unresolved claims to credit ownership.”<sup>6</sup> We conclude that this recommendation is impracticable due to timing, resources, and the absence of an adopted Clean Heat Standard by the Legislature. Instead, early action credits should be registered by the attribute owners only after approval of the program by the Legislature and in a similar time frame to the implementation of a registration process for all clean heat credits.

Section 8.111 of the Draft Rule addresses registering and tracking clean heat credits. We conclude that the same process should apply to early action credits with one exception. Subsection 8.111(b) provides a list of information that must be provided to create a potential clean heat credit. To the extent that this list conflicts with the documentation and record-keeping practices for early action credits described in the Commission's December 12, 2023, Order Addressing Early Action Credits, we conclude that the December 12 Order is controlling for early action credits.

### Value of Early Action Credits


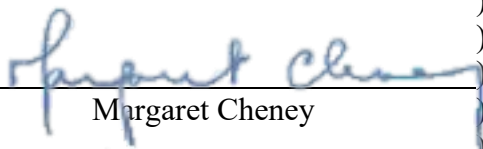
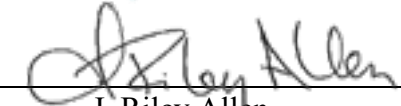
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<sup>6</sup> TAG Memo (8/30/24).

The Commission's consultant, Opinion Dynamics, has produced draft clean heat measure characterizations and presented its work to the TAG for review and feedback. We intend to use the final product of Opinion Dynamics' work to establish savings values for early action credits (*e.g.*, the number of credits produced by the delivery or installation of a clean heat measure). We note that Section 8128(a)(2) of Title 30 tasks the TAG with "establishing and revising the clean heat credit value for different clean heat measures." If the TAG would advise that we adopt a different valuation methodology for early action credits, we request the TAG's determination by December 6, 2024.

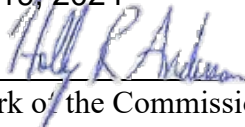
**SO ORDERED.**

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

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

OFFICE OF THE CLERK

Filed: November 19, 2024

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

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

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