



August 16, 2024

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

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

Dear Ms. Anderson:

On behalf of the Vermont Fuel Dealer's Association (VFDA) and its members, I am writing to request that the Public Utilities Commission (PUC) clarify the scope of "heating fuel" that must be identified and accounted for during the registration process. The clarification is needed because the PUC has indicated it is changing the guidance previously provided to Vermont's fuel dealers, and this change could have significant consequences.

30 V.S.A. § 8124(b)(1) requires each entity that sells heating fuel into or in Vermont to register annually. The results of this registration process help determine whether a fuel dealer is an obligated party, subject to the anticipated clean standard, and to what extent they are obligated to provide clean heat measures or pay for related credits. *Id.*

The PUC created a registration process in its Orders dated December 15, 2023, and January 17, 2023. Prior to the registration deadline, the PUC provided guidance to Vermont's fuel dealers at a webinar. This guidance included an interpretation by the PUC that only gallons of heating fuel used for thermal purposes would be counted and considered as part of a fuel dealer's obligations under Act 18 (2023). Specifically, fossil fuels used for cooking or heating water would not be counted. In response to that guidance, most fuel sellers did not count these respective gallons from the initial registry. Many continue to track gallons for reporting pursuant to this guidance in anticipation of the next reporting period. It is noted that in addition to cooking gas and hot water production, there are many other uses of fossil-based heating fuels that are not thermal, such as electric power generation, off-road engines, non-taxable transportation fuels (propane autogas), asphalt production, etc.

During a meeting of the Clean Heat Technical Advisory Group on July 25, 2024, Deirdre Morris with the PUC said the following:

*"Having spent more time on the statute, our interpretation is that because the thermal sector is defined as having the same meaning as the RCI (residential, commercial, industrial) sector in the inventory, we need to regulate all sales of fossil fuel-based heating fuel, which includes fuel used for space heating, water heating, and cooking..... we plan to raise the **unintended consequences** of this in the second check back report."*

See: https://www.youtube.com/watch?v=7QxhTKnrL_Q, at 3' 50."

We agree with Ms Morris that there are many unintended consequences if this becomes the new interpretation of the law. The largest unintended consequence is the universe of registered fuel sellers and obligated parties. In effect, this decision will double the number of entities that would be regulated by the PUC should the Clean Heat Standard be approved by the legislature. For example, many of the small propane canisters that are sold at local convenience or hardware stores are primarily used for BBQ cooking or portable generators. This could implicate many local businesses who did not appreciate they would have to register, account, and possibly be responsible as an obligated party. Furthermore, these sales will require the payment of monies offsetting clean heat measures fees that will likely be passed onto consumers.

In light of the significant impacts of such a change, the VFDA requests that the PUC provide immediate clarification about the changing standard or definition of "heating fuels" that are subject to the clean heat standard. Delaying such guidance until the second checkback report will only create additional confusion, uncertainty, and anxiety for many businesses trying to navigate a new and very complicated regulatory environment.

Sincerely,



Matt Cota
Meadow Hill