

HB-5167
PUC



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STATE OF RHODE ISLAND

Public Utilities Commission

Chairman Ronald T. Gerwatowski
Commissioner Abigail Anthony

February 6, 2025

The Honorable David A. Bennett
Chair, House Environment and Natural Resources Committee
State House
Providence, RI 02903

Re: House Bill 5167 – Clean Heat Standard Act

Dear Chair Bennett:

I am submitting the following comments on behalf of the Public Utilities Commission (PUC) on House Bill 5167 – Clean Heat Standard Act. This is, in effect, a fee on carbon pollution that captures natural gas heating and delivered fuels like home heating oil and propane. Such a fee on carbon is consistent with the PUC's regulation of public utilities and the Act on Climate. We have no policy statement on this issue but based on our experience administering and enforcing the Renewable Energy Standard (RES) as well as Energy Efficiency and technology deployment programs, we have some observations to share.

In general, the design of the bill is to create an energy standard. Energy standards are complicated to define as well as difficult to validate and enforce. Inevitably, development of the standard will require a complex data collecting and tracking system that does not now exist. The challenge and complexity should not be underestimated. Poor design can lead to high administrative costs along with volatile program and market conditions. The PUC would be happy to share its experience based on its administration and enforcement of a well-designed Renewable Energy Standard.

The PUC offers the following observations of areas of overlap with current PUC jurisdiction for consideration. First, the bill proposes technologies that are already funded by existing programs, particularly weatherization which is largely funded in Rhode Island through the electric and gas bills. It is unclear how those programs would interact with the weatherization clean heat credits in this bill.

Second, "clean heat measures" exclude switching from one fossil fuel use to another fossil fuel use." If the assumption is that electric heat pumps will count as non-fossil usage, that is

inaccurate in the short-term and likely to be inaccurate in the long-term. Even when the state has achieved 100% RES, because of the allowed compliance pathways, under this bill, customers who switch from oil, gas, or propane to electric heat will have switched from one fossil fuel use to another.


Third, the bill prohibits renewable natural gas and hydrogen as clean heat measures. This has some inconsistency with the RES. Currently, electric generators using renewable natural gas or hydrogen can be qualified as renewable electricity generators. Currently, biomass facilities using eligible biomass fuels are defined as renewable energy resources and typically comprise a significant portion of compliance with the RES annually.¹ It is unclear how these technologies would be considered under the proposed bill.

These are only a few of the specific observations of overlap selected because they are directly related to the PUC's jurisdiction. PUC staff can be available to discuss other energy standard design and enforcement complexities based on the PUC's administration of the RES at the sponsor's convenience.

Finally, the PUC recommends a review of a recent report issued by the Vermont Public Utility Commission (VTPUC) to its legislature following an 18-month stakeholder process in which it was directed to design a clean heat standard while also assessing costs and benefits. At a high level, the program cost twice more than the value of avoided greenhouse gas emissions over the first 10-year period. The VTPUC concluded that while theoretically workable with design modifications, better results would be achieved by continuing to support innovative work to reduce energy usage than to "introduce a complex new regulatory layer that would disrupt existing programs." The VTPUC included recommendations for legislative consideration.²

Please feel free to contact me with any questions at 401-780-2147 or cynthia.wilsonfrias@puc.ri.gov.

Sincerely,



Cynthia Wilson-Frias
Chief of Legal Services

cc: Representative Cortvriend

¹ R.I. Gen. Laws § 39-26-5(a)(6). Clean hydrogen, sourced from a renewable energy resource is also potentially eligible under the RES.

² <https://puc.vermont.gov/sites/psbnew/files/documents/second-checkback-report-on-clean-heat-standard-act-18-011525.pdf>.