

**ANNUAL REPORT**  
**Rhode Island Regional Greenhouse Gas Initiative**  
**December 2012**

In accordance with §23-82-6(d) the Office of Energy Resources (Office) in consultation with the Department of Environmental Management (Department) and the Energy Efficiency and Resources Management Council (Council) has prepared this Annual Report.

**RGGI Background**

The Regional Greenhouse Gas Initiative (RGGI) is a cooperative effort among the states of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont. Together, these nine states have capped and will reduce power sector CO<sub>2</sub> emissions ten percent by 2018.

RGGI is composed of individual CO<sub>2</sub> Budget Trading Programs in each of the nine participating states. The Rhode Island Department of Environmental Management promulgated regulations establishing a CO<sub>2</sub> Budget Trading Program that limits emissions of CO<sub>2</sub> from electric power plants, issues CO<sub>2</sub> allowances and establishes participation in regional CO<sub>2</sub> allowance auctions. The applicable Department regulations are identified as Air Pollution Control Regulation No. 46 and Air Pollution Control Regulation No. 47.

Regulated power plants can use a CO<sub>2</sub> allowance issued by any of the nine participating states to demonstrate compliance with an individual state program. In this manner, the nine state programs, in the aggregate, function as a single regional compliance market for CO<sub>2</sub> emissions.

The states participating in RGGI formed a non-profit corporation (RGGI, Inc.) to provide administrative and technical services to support the development and implementation of each participating state's CO<sub>2</sub> Budget Trading Program. RGGI, Inc.'s activities include: development and maintenance of a system to report data from emissions sources subject to RGGI, and to track CO<sub>2</sub> allowances; implementation of a platform to auction CO<sub>2</sub> allowances; monitoring the market related to the auction and trading of CO<sub>2</sub> allowances; providing technical assistance to the participating states in reviewing applications for emissions offset projects; providing technical assistance to the participating states to evaluate draft changes to the states' RGGI programs. RGGI, Inc. has no regulatory or enforcement authority. All such sovereign authority is reserved to each participating state.

Pursuant to RIGL §23-82-5, RGGI, Inc. (or other independent contractor) is authorized to receive, hold and sell CO<sub>2</sub> allowances for the long-term benefit of consumers. The statute also authorizes RGGI, Inc. to conduct the auctions or sales; collect the auction proceeds and transfer such proceeds to the Office. The Office then distributes and allocates the proceeds of the auction or sale in accordance with §23-82-6, under the oversight of the Department.

The Office is authorized to allocate the Auction or Sale Proceeds for the following purposes, in a proportion to be determined annually by the Office in consultation with the Council and the Board:

- Promotion of cost-effective energy efficiency and conservation in order to achieve the purposes of section 39-1-27.7;
- Promotion of cost-effective renewable non-carbon emitting energy technologies in Rhode Island as defined in 39-26-5 and to achieve purposes of chapter 39-26 entitled "Renewable Energy Standard";
- Cost-effective direct rate relief for consumers;
- Direct rate relief for low-income consumers;
- Reasonable compensation to RGGI, Inc.; and
- Reasonable costs of the Department and Office in administering this program.

#### **2011 Plan for the Allocation and Distribution of Regional Greenhouse Gas Initiative Auction Proceeds**

The Auction proceeds for the five RGGI auctions, 6-10, (December 2, 2009 – December 1, 2010), totaled \$5,362,157.75. After deducting the compensation to RGGI Inc. and the administrative expense reimbursement to the Office and the Department, the balance remaining is \$5,043,347.75.

- In accordance with §23-82-6(a)(5) RGGI Inc. was compensated \$18,810.00 for CY 2010.
- In accordance with §23-82-6(a)(6) the Office and the Department were compensated \$300,000.00 for CY 2010.

The 2011 Plan allocated eighty percent of the proceeds to the Least Cost Procurement Energy Efficiency Utility Account at National Grid, fifteen percent for renewable and/or energy efficiency projects at schools (K-12) and five percent for an education initiative targeted to low-income rate payers.

**In accordance with the 2011 Plan, the Utility, National Grid was sent one payment, \$4,034,678.20 on December 30, 2011.**

- National Grid utilized the funds for the following two programs and has provided the Office with the following information (this information is through November 2012):

#### Small Business Revolving Loan Fund

The RGGI funds received in early January 2012 for small businesses were added to the Small Business Revolving Loan Fund that was established previously with RGGI funds.

- Amount allocated - \$2,300,000.00
- 600 Small Business loans, year-to-date
- The program served a total of 1389 participants, year-to-date
- Average dollar amount of the loans - \$2,300.00
- Breakdown of the efficiency measures the loans are paying for: Coolers, Custom Coolers, Lighting Controls, Occupancy Sensors, Lighting Systems and Vendor Misers
- Estimate that the 595 loans will create 5,950 annual MWh (net)
- \$14,250.00 - Average total project cost
- Preliminary total dollar amount of the loans - \$1,400,000.00

#### Large Business Revolving Loan Fund

The RGGI funds received in early January 2012 for large businesses were allocated to the Large Business Revolving Loan Fund. This fund has been used to finance 31 projects in 2012. The remaining funds have been committed and projects will take place in 2013.

- Amount allocated - \$1,734,678.20
- 31 Large Business loans, year-to-date
- Average dollar amount of the loans - \$34,300.00
- Breakdown of the efficiency measures the loans are paying for: Lighting, VFD, HVAC and Custom.
- \$56,400.00 - Average total project amount
- \$1,061,756.00 – preliminary total dollar amount of the loans

**In accordance with the 2011 Plan, \$756,502.16 had been allocated for renewable and/or energy efficiency projects at schools (K-12).**

The Office will be soliciting proposals, through a competitive process, in February 2013 for renewable and/or energy efficiency projects at schools (K-12).

**In accordance with the 2011 Plan, \$252,167.39 had been allocated for education initiative targeted to low-income rate payers.**

- Upon further discussion with the Council, it has been determined that the Five Percent (5%) allocated for the educational initiative targeted to low-income rate payers will be targeted to not for profit organizations serving the low income community. The Five Percent (5%) shall be allocated for energy efficiency projects at existing community

buildings (a public building that houses a not for profit organization such as, but not limited to, boys and girls clubs, community healthcare centers and are used for public/community purposes). In addition, an additional five percent (5%) shall be allocated from the Proposed 2012 PLAN for this initiative.

The Office proposes to revise section 5.3.2.c of the "2011 Plan for The Allocation and Distribution of Regional Greenhouse Gas Initiative Auction Proceeds". Only that section will be available for public comment. The Office will offer this proposed revision for public hearing and comment in February 2013.

### **2012 Plan for the Allocation and Distribution of Regional Greenhouse Gas Initiative Auction Proceeds**

The Office has consulted with the Council, Department and Board to discuss the allocation and distribution for the 2012 PLAN (Auctions 11-14, \$2,780,097.39). The Office will be offering the PLAN for public comment in February 2013.

### **2013 Plan for the Allocation and Distribution of Regional Greenhouse Gas Initiative Auction Proceeds**

The Office plans on consulting with the Council and Board, in the first quarter of 2013, to discuss the allocation and distribution for the 2013 PLAN (Auctions 15-18, \$2,857,538.70).

### **Recommendations for changes to law**

The Office and the Department have the following recommendation for a change to the law:

**23-82-6. Use of auction or sale proceeds.** -- (a) *The proceeds from the auction or sale of the allowances shall be used for the benefit of energy consumers through investment in the most cost-effective available projects that can reduce long-term consumer energy demands and costs. Such proceeds may be used only for the following purposes, in a proportion to be determined annually by the office in consultation with the council and the board:*

- (1) Promotion of cost-effective energy efficiency and conservation in order to achieve the purposes of section 39-1-27.7;*
- (2) Promotion of cost-effective renewable non-carbon emitting energy technologies in Rhode Island as defined in section 39-26-5 and to achieve the purposes of chapter 39-26 entitled "Renewable 1 Energy Standard";*
- (3) Cost-effective direct rate relief for consumers;*

(4) Direct rate relief for low-income consumers;

(5) Reasonable compensation to an entity selected to administer the auction or sale; and

(6)(i) Reasonable costs of the department of environmental management and office of energy resources in administering this program, which shall not in any year exceed three hundred thousand dollars (\$300,000) or five percent (5%) of the proceeds from sale or auction of the allowances, whichever is less. In addition, available administrative funds shall be used for programs to reduce the emissions of greenhouse gases, including but not limited to carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride, as well as for energy efficiency and renewable program efforts of the department of environmental management and office of energy resources to reduce petroleum based fuel consumption throughout the state.

*(ii) Administrative funds not expended in any fiscal year shall remain in the administrative account to be used as needed in subsequent years. The office of energy resources shall have the ability to apply administrative funds not used in a fiscal year to achieve the purpose of this section. The funds deposited into the administrative funds account shall be exempt from the indirect cost recovery provisions of section § 35-4-27.*

*(b) Any interest earned on the funds so generated must be credited to the fund. Funds not spent in any fiscal year shall remain in the fund to be used for future energy efficiency and carbon reduction programs.*

The Council does not have any recommendations to change the law.

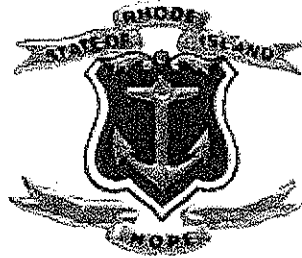
Attachments:

- RI Proceeds by Auction
- 2011 Plan for the Allocation and Distribution of Regional Greenhouse Gas Initiative Auction Proceeds

### RI Proceeds by Auction

	First Control Period Allowances Sold	First Control Period Proceeds	Second Control Period Allowances Sold	Second Control Period Proceeds	Total Allowances Sold	Total Proceeds
Auction 1	438,774	\$1,347,036.18	--	--	438,774	\$1,347,036.18
Auction 2	438,774	\$1,483,056.12	--	--	438,774	\$1,483,056.12
Auction 3	438,775	\$1,540,100.25	32,908	\$100,369.40	471,683	\$1,640,469.65
Auction 4	438,775	\$1,417,243.25	32,908	\$67,790.48	471,683	\$1,485,033.73
Auction 5	438,775	\$960,917.25	32,908	\$61,537.96	471,683	\$1,022,455.21
Auction 6	438,774	\$899,486.70	24,220	\$45,049.20	462,994	\$944,535.90
Auction 7	658,161	\$1,362,393.27	32,185	\$59,864.10	690,346	\$1,422,257.37
Auction 8	658,162	\$1,237,344.56	32,908	\$61,208.88	691,070	\$1,298,553.44
Auction 9	496,653	\$923,774.58	20,194	\$37,560.84	516,847	\$961,335.42
Auction 10	377,378	\$701,923.08	18,039	\$33,552.54	395,417	\$735,475.62
Auction 11	658,161	\$1,243,924.29	32,908	\$62,196.12	691,069	\$1,306,120.41
Auction 12	196,302	\$371,010.78	16,640	\$31,449.60	212,942	\$402,460.38
Auction 13	116,798	\$220,748.22	0	\$0.00	116,798	\$220,748.22
Auction 14	450,142	\$850,768.38	0	\$0.00	450,142	\$850,768.38
Auction 15	--	--	386,864	\$746,647.52	386,864	\$746,647.52
Auction 16	--	--	359,453	\$693,744.29	359,453	\$693,744.29
Auction 17	--	--	405,126	\$781,893.18	405,126	\$781,893.18
Auction 18	--	--	329,147	\$635,253.71	329,147	\$635,253.71
<b>All Auctions</b>	<b>6,244,404</b>	<b>\$14,559,726.91</b>	<b>1,756,408</b>	<b>\$3,418,117.82</b>	<b>8,000,812</b>	<b>\$17,977,844.73</b>

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
DEPARTMENT OF ADMINISTRATION  
OFFICE OF ENERGY RESOURCES**



**2011 PLAN FOR THE ALLOCATION AND DISTRIBUTION OF  
REGIONAL GREENHOUSE GAS INITIATIVE AUCTION  
PROCEEDS**

**Auctions Held December 2, 2009 – December 1, 2010**

**November 2011**

## **1.0 Authority**

This Allocation Plan is authorized by Rhode Island General Laws (hereinafter, "RIGL") §§23-82-1 *et seq.* and 42-140-9 and the "*Rules and Regulations for the Allocation and Distribution of Regional Greenhouse Gas Initiative Proceeds*", effective August, 2011.

## **2.0 Definitions**

For the purposes of this Allocation Plan, the terms defined in RIGL §§23-82-1 *et seq.* and the "*Rules and Regulations for the Allocation and Distribution of Regional Greenhouse Gas Initiative Proceeds*", effective August, 2011 shall be given the same meaning as provided in the statute and regulations.

## **3.0 Auction Proceeds included in this Allocation Plan**

3.1 RGGI, Inc. conducted auctions on behalf of the State of Rhode Island on December 2, 2009; March 10, 2010; June 9, 2010; September 10, 2010, and December 1, 2010.

3.2 These auctions resulted in the following Auction Proceeds for the State of Rhode Island:

- December 2, 2009 - \$944,535.90
- March 10, 2010 - \$1,422,257.37
- June 9, 2010 - \$1,298,553.44
- September 10, 2010 - \$961,335.42
- December 1, 2010 - \$735,475.62

## **4.0 Adoption of the 2011 Plan for the Allocation and Distribution of Regional Greenhouse Gas Initiative Auction Proceeds**

4.1 The Rhode Island Regional Greenhouse Gas Initiative Act provides for the use of Auction Proceeds. Specifically, RIGL §23-82-6 requires that the Auction Proceeds be used for the benefit of energy consumers through investment in the most cost-effective available projects that can reduce long-term consumer energy demands and costs.

4.2. The Rhode Island Office of Energy Resources ("Office") is authorized to allocate the Auction Proceeds for the following purposes, in a proportion to be determined annually by the Office in consultation with the Rhode Island Department of Environmental Management ("Department") and the Rhode Island Energy Efficiency and Resources Management Council ("Council"):

- (1) Promotion of cost-effective energy efficiency and conservation;
- (2) Promotion of cost-effective renewable non-carbon emitting energy technologies as defined in RIGL §39-26-5;



- (3) Cost-effective direct rate relief for consumers;
- (4) Direct rate relief for low-income consumers;
- (5) Reasonable compensation to RGGI, Inc.; and
- (6) Reasonable costs of the Department and Office in administering this program.

4.3 To accomplish these purposes, the Office consulted with the Council and the Department on April 21, 2011, May 12, 2011 and June 8, 2011 to draft the 2011 Plan for the Allocation and Distribution of Regional Greenhouse Gas Initiative Auction Proceeds ("Plan"). The Plan establishes how the Auction Proceeds for the auctions held on December 2, 2009; March 10, 2010; June 9, 2010; September 10, 2010, and December 1, 2010 shall be expended.

4.4 The Office, Department and Council agree that this Plan is consistent with the applicable statutes and regulations. Public notice of the draft Plan was provided on June 22, 2011. A copy of the Notice is attached hereto. A public comment hearing was held on July 25, 2011 at the Department of Administration, One Capitol Hill, Providence, Rhode Island. Thereafter, the public was allowed additional time to submit written comments until August 4, 2011.

4.5 The Office has responded to all substantive comments received on the Plan and are provided in the attached document entitled Response to Comments.

4.6 The Office, Department and Council agree that the Plan was adopted in accordance with RIGL §23-82-6; "*Rules and Regulations for the Allocation and Distribution of Regional Greenhouse Gas Initiative Proceeds*" and Chapter 42-35, the Administrative Procedures Act.

## **5.0 2011 Allocation of Auction Proceeds**

### **5.1 Compensation to RGGI, Inc.**

5.1.1 RIGL §23-82-6(a)(5) authorizes the reasonable compensation of an entity to administer the auction on behalf of the State of Rhode Island. RGGI, Inc. is the entity that conducted the auctions on December 2, 2009; March 10, 2010; June 9, 2010; September 10, 2010, and December 1, 2010.

5.1.2 Wherefore, RGGI, Inc. was compensated \$18,810.00 from the auction proceeds.

### **5.2 Administrative expenses to Office and Department**

5.2.1 RIGL §23-82-6(a)(6) authorizes the reasonable costs of the Department and Office in administering the RGGI program. The total reimbursement to both entities shall not in any year exceed Three Hundred Thousand Dollars (\$300,000) or five percent (5%) of the proceeds, whichever is less.

5.2.2 The Auction Proceeds for the twelve (12) RGGI auctions occurring prior to the date of this Plan total Fourteen Million Forty-Eight Thousand Seven Hundred Eighty-Nine and 43/100ths Dollars (\$14,048,789.43). Five percent of these proceeds equals Seven Hundred Two Thousand Four Hundred Thirty-Nine and 47/100ths Dollars (\$702,439.47). The statute limits reimbursement of administrative costs to the lesser of five percent or \$300,000. Three Hundred Thousand Dollars is less than \$702,439.47. Therefore, DEM and OER are authorized to be reimbursed \$300,000 for their administrative costs in years 2009 and 2010.

5.2.3 DEM and OER were reimbursed for their administrative costs for the year 2009. The maximum statutory reimbursement for 2010 is \$300,000. Therefore, DEM and OER shall each be reimbursed \$150,000 for their reasonable costs in 2010.

### **5.3 Allocation of Auction Proceeds**

5.3.1 The Auction Proceeds for the RGGI auctions conducted on December 2, 2009; March 10, 2010; June 9, 2010; September 10, 2010, and December 1, 2010 totaled \$5,362,157.75. After deducting the compensation to RGGI, Inc and the administrative expense reimbursement to the Office and Department, the balance remaining is \$5,043,347.75.

5.3.2 The Office, Department and Council find that allocating the balance of the Auction Proceeds set forth in Paragraph 5.3.1 herein for the promotion of cost-effective energy efficiency and conservation; promotion of cost-effective renewable non-carbon emitting energy technologies; cost-effective direct rate relief for consumers; and direct rate relief for low-income consumers shall be best accomplished by disbursements as follows:

5.3.2.a. Eighty percent (80%) shall be allocated to the Least Cost Procurement Energy Efficiency Utility Account at the Utility for the sole purpose of supplementing and expanding energy efficiency efforts consistent with the PUC approved energy efficiency (EE) Procurement Plan and annual efficiency Program Plans for investment in cost-effective energy efficiency programs and projects that are lower cost than supply and reduce long-term consumer energy demands and costs.

5.3.2.b. Fifteen percent (15%) shall be allocated for renewable and/or energy efficiency projects at schools (K-12) which include an educational program as part of the project. This initiative will award grants through a competitive application process. Applications which meet the threshold criteria will then be ranked based on energy savings, cost effectiveness and the educational

component of the project. The Office shall be responsible for implementing this program.

5.3.2.c. Five percent (5%) shall be allocated for education targeted to low-income rate payers. This initiative will develop an information packet of "Energy Efficiency/Energy Savings Best Practices" to distribute to clients applying for LIHEAP during the intake process at Community Action Program agencies, patients at Community Health Centers or through a mailing. Low-income households (owners and renters) pay a far higher share of their incomes for home energy, typically live in less efficient homes and feel the consequences of climate change more acutely than higher-income households. The Office shall be responsible for implementing this program.

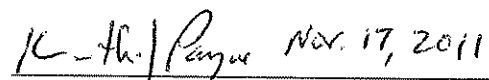
#### 5.4 Tracking and Reporting

5.4.1. The Utility shall submit a report describing the results of the supplemental and expanded energy efficiency efforts. The report shall be submitted to the Office, Council and Department on or before May 1, or such other date as may be established by RIGL Chapter 23-82 for RGGI reporting, and made available to the public. The Report may be in the form specified by the PUC for the Utility efficiency effort, but shall indicate the increased level of effort and energy and consumer savings of any new initiatives facilitated by the Auction Proceeds.

5.4.2 The Utility shall provide, in the report, a detailed description and quantification of: (1) program costs; (2) program energy and cost savings; (3) net savings in dollars for Rhode Islanders; (4) benefit-cost ratio of these efforts; and (5) a detailed description of the effectiveness of the efficiency investments.

5.4.3 The Office and Council will determine the success of the Utility's investment of Auction Proceeds for energy efficiency efforts consistent with the PUC approved EE Procurement Plan based on the success the Utility has in reducing overall electric bills in Rhode Island compared to what bills would have been without the investment. The Utility must show: (a) what average electric bills in Rhode Island would have been without the use of RGGI proceeds for efficiency investments in the EE Procurement and Program Plans; and (b) what the actual total electric bills in Rhode Island were with the use of RGGI proceeds.

5.4.4 All other entities receiving Auction proceeds shall submit a report to the Office annually on or before May 1. The report shall include a detailed description of the: (1) program; (2) project costs; and (3) program benefits including energy savings if applicable.

  
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Kenneth Payne, Administrator  
Office of Energy Resource