

State of Rhode Island  
Department of Administration  
Office of Energy Resources

In re: Proposed 2013 Allocation Plan – Distribution of Regional Greenhouse Gas Initiative Proceeds

**RESPONSE TO COMMENTS**

Introduction

On December 20, 2013, a notice was posted on the websites of the Rhode Island Department of Administration, Office of Energy Resources (OER) and the Rhode Island Office of Secretary of State and was forwarded to interested parties announcing a public comment period to accept comments on the adoption of proposed “2013 Allocation Plan - Distribution of Regional Greenhouse Gas Initiative Auction Proceeds”. The notice stated that a public hearing would be held on January 22, 2014 at 1:00 p.m. in Conference Room A, Second Floor of the Powers Building, One Capitol Hill, Providence, Rhode Island. Copies of the proposed Plan were made available at the OER, at [www.energy.ri.gov](http://www.energy.ri.gov), by calling (401) 574-9124 weekdays from 8:30 A.M. to 4:00 P.M., or by writing to Rhode Island Department of Administration, Office of Energy Resources, One Capitol Hill, Providence, Rhode Island.

The public hearing was held on January 22, 2014 at 1:00 at the location set forth in the public notice. Members of the general public were present along with representatives of the OER. A stenographic record of the hearing was produced and the original transcript is in the custody of the OER as part of the administrative record. At the conclusion of the public hearing, the public comment period was kept open for an additional ten (10) days to allow for the submission of written comments to the OER. The public comment period closed on February 1, 2014.

The Regional Greenhouse Gas Initiative (“RGGI”) is a cooperative effort by Northeastern and Mid-Atlantic states to reduce carbon dioxide emissions through implementation of a multi-state cap-and-trade program with a market-based emissions trading system. RGGI is composed of individual CO<sub>2</sub> Budget Trading Programs in each of the ten 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 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.

Pursuant to Rhode Island General Laws §23-82, 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 OER. OER then disburses the proceeds of the auction or sale

for purposes consistent with the goals of the RGGI program as set forth in the statute.

### **Public Hearing**

A public hearing on the proposed Plan was held on January 22, 2014. One individual presented oral testimony at the hearing supporting various points of the Plan. No comments were provided suggesting any changes be made to the proposed Plan.

### **Response to Comments**

The following comments were received, via mail, from Sean Murphy of National Grid by Barbara Cesaro, Office of Energy Resources on January 24, 2013.

#### ***Comment:***

##### **Section 5.2.2**

a) RIGL §23-82-6(a)(6), which authorizes the use of auction proceeds for compensation of the costs incurred by the Department and the Office administering the Regional Greenhouse Gas Initiative, calculates the compensation as 5% of the proceeds from the auctions in question for allocation, not the cumulative proceeds of all auctions, current and previous. The amount allocated to the Office and the Department, therefore, should equal 5% of \$2,857,538.70, or \$300,000, whichever is less. 5% of \$2,857,538.70 is \$142,876.94, which is less than \$300,000. The Company requests that the allocation to the Office and Department be changed to \$142,876.94.

b) The difference between the original allocation, \$300,000 and the correct allocation, \$142,876.94, which is equal to \$157,123.06, should be reallocated to other uses. The Company would recommend an allocation to its revolving loan fund for large commercial energy efficiency customers or to a street lighting and controls pilot.

#### ***Response:***

In the Response to Comments, dated November 17, 2011, the Office addressed a similar comment from National Grid which stated:

“With regard to the alleged computational error regarding administrative accosts; the comment relies on a plausible reading of the statute, however that is not the only plausible reading. RGGI planning and administrative activity has a multi-year cycle. There are years when more activity is involved and years when there is less. Furthermore RGGI revenues fluctuate and not necessarily in a pattern that is consistent with demands for administrative effort. The reading of the statute employed in the Proposed Plan takes into account the reality of these fluctuations.”

The OER finds that the Plan as proposed is appropriate and there is no need for any change based on this comment.

#### ***Comment:***

c) The summation of the current allocations is \$2,857,448.70, which is \$90 less than the available proceeds. The Company requests that the \$90 be allocated to supplement the existing allocations

or to the revolving loan fund or to a street lighting controls pilot.

***Response:***

Discussion with National Grid has determined that they had made an error. There are no additional proceeds. Therefore no response is necessary.

***Comment:***

d) The reference to 2011 in the last sentence should be changed to 2012 as the 2011 administrative costs were already compensated by the 2012 RGGI Allocation Plan. The Company requests this edit be made.

***Response:***

The OER has corrected this typo. The last sentence of section 5.2.2 now reads:

Therefore, DEM and OER are authorized to be reimbursed \$300,000 for their administrative costs in year 2012.

**Section 5.3.2.a**

***Comment:***

a) The Company supports the decision by the Office to allocate \$800,000 for energy efficiency rebates to homes heated with deliverable fuels.

***Response:***

No response necessary.

***Comment:***

b) The Company, however, has not done an assessment of the potential of energy efficiency projects with commercial customers, including agricultural, that heat with deliverable fuels. The Company requests that a sunset provision on the \$200,000 be added that requires a reallocation of the funds not spent by March 31st, 2015. The Company further requests that any reallocation of funds go to additional rebates for homes that heat with deliverable fuels or to the Company's revolving loan fund for commercial energy efficiency customers.

***Response:***

The Office will not commit to reallocating the unspent funds by March 31, 2015. The Office will evaluate the program to monitor progress. The Office shall determine if and when funds should be reallocated and to what program. The OER finds that the Plan as proposed is appropriate and there is no need for any change based on this comment.

***Comment:***

c) The Company appreciates the allocation of these funds and requests the opportunity to discuss

with the Office the efficacy of creating a shadow account for each RGGI allocation and whether a satisfactory alternative tracking mechanism may be preferred.

***Response:***

The OER maintains that all RGGI funds allocated to National Grid be managed in a shadow account. This ensures that the funds retain their identity and are not co-mingled with other funds. The OER finds that the Plan as proposed is appropriate and there is no need for any change based on this comment.

**Section 5.3.2.b**

***Comment:***

a) The Company supports the Office's decision to establish the group in order to identify additional ways to fund deliverable fuel efficiency programs, thereby reducing the reliance on monies from RGGI auctions. As currently written in the Allocation Plan, the working group does not include a representative from the Company. Given its experience in delivering energy efficiency services to residential homes that heat with deliverable fuels and the opportunity to develop more integrated services, the Company proposes it should be made a member of the working group.

***Response:***

The OER will include a member from the Utility to participate in the working group. The language in section 5.3.2.b has been revised and now reads:

The working group will include oil dealers, propane dealers, representatives from the oil heat institute, a member of the Office of Energy Resources, a member representing residential customers, a member representing low-income customers, a member representing commercial and industrial customers, a member from the Utility and a member representing environmental concerns. The Office will administer the program.

**Section 5.3.2.c**

***Comment:***

a) The Company is supportive of the allocation of these funds to community buildings, though it requests clarification on whether 'public buildings' refers to State buildings used by the community or community groups or to a building that houses a not-for-profit organization that provides community services or resources. The Company is appreciative of being included in the development of the implementation plan.

***Response:***

This is the same initiative as described in the 2012 Plan for the Allocation and Distribution of RGGI Proceeds. These projects are not for State buildings, but rather 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. The OER finds that the Plan as proposed is appropriate and there is no need for any change based on this comment.

***Comment:***

b) The Company further requests the opportunity to discuss with the Office the efficacy of creating a shadow account for each RGGI allocation and whether a satisfactory alternative tracking mechanism may be preferred.

***Response:***

The OER maintains that all RGGI funds allocated to National Grid be managed in a shadow account. This ensures that the funds retain their identity and are not co-mingled with other funds. The OER finds that the Plan as proposed is appropriate and there is no need for any change based on this comment.

**Section 5.2.3.d**

***Comment:***

a) The Company supports the existence of this pilot program and requests that its implementation be coordinated with energy efficiency financing mechanisms already available to residential customers to prevent instances of double financing.

***Response:***

The HEAL program will be coordinated with existing programs. The OER finds that the Plan as proposed is appropriate and there is no need for any change based on this comment.

**Section 5.3.2.f**

***Comment:***

a) The Company requests that the working group coordinate with ongoing efforts in its System Reliability Procurement Plan.

***Response:***

As written in the Plan the OER will administer the program in conjunction with the Utility and the Council. The OER finds that the Plan as proposed is appropriate and there is no need for any change based on this comment.

**Section 5.3.2.g**

***Comment:***

a) The Company supports coordinating on the design and implementation of this pilot. The Company, however, requests the addition of a sunset provision that stipulates that any funds unspent by March 31st, 2015 be reallocated to other energy efficiency purposes such as the Company's revolving loan fund for commercial customers or a street lighting and controls pilot.

***Response:***

The Office will not commit to reallocating the unspent funds by March 31, 2015. The Office will evaluate the program to monitor progress. The Office shall determine if and when funds should be reallocated and to what program. The OER finds that the Plan as proposed is appropriate and there is no need for any change based on this comment.

#### **Section 5.4**

***Comment:***

i) National Grid supports the requirement to report on the use of the funds. The Company will include a detailed description of these initiatives, excluding those outlined in sections 5.3.2.d, 5.3.2.e, and 5.3.2.g, in its Energy Efficiency Quarterly Reports, which it will deliver to the Collaborative and Council and will file with the Commission.

***Response:***

The OER or other entity will report on sections; 5.3.2.b., and 5.3.2.c. The OER finds that the Plan as proposed is appropriate and there is no need for any change based on this comment

***Comment:***

ii) The Company, however, requests that the requirement to include program benefits (i.e. dollar value of benefits created) be deleted from the quarterly reporting specifications. The Company's current Quarterly Report does not include benefits for any other program or initiative and focuses on reporting spending and achievements toward savings goals.

***Response:***

The OER maintains that quarterly reports are necessary to track the programs progress and report the benefits of specific projects funded with RGGI dollars. The information in these reports will be reported to RGGI Inc. for publication in the "Regional Investment of RGGI CO<sub>2</sub> Allowance Proceeds" and the "Annual Report" submitted to the General Assembly in accordance with RIGL 23-82-6(d). The OER finds that the Plan as proposed is appropriate and there is no need for any change based on this comment

***Comment:***

iii) The Allocation plan also does not specify an Annual Report. In addition to quarterly reporting, the Company will provide an Annual summary, including benefits, as part of the annual year-end Energy Efficiency Report that will be filed with the Commission around May 1st.

***Response:***

An annual report is required as in all previous Plans. The following language will be added to the 2013 Plan:

#### **Section 5.5.3**

The Utility and all other entities receiving Auction proceeds shall submit a report to the Office annually on or before May 1, or such date as may be established by RIGL Chapter 23-82 for RGGI reporting, and

made available to the public.. The report shall be submitted to the Office, Council and Board. The report shall include a detailed description of the: (1) program; (2) project costs; and (3) program benefits including energy savings if applicable.

***Comment:***

iv) The OER or some other entity should prepare a report for funds disbursed under Sections 5.3.2.d, 5.3.2.e, and 5.3.2.g. The Company recommends that language specifying the reporting responsibilities of the programs from those sections be added.

***Response:***

The Utility is only responsible for reporting on the programs they are solely responsible for as described in the Plan; 5.3.2.a and 5.3.2.c. The OER finds that the Plan as proposed is appropriate and there is no need for any change based on this comment.

***Comment:***

v) In all cases, given our experience, we recommend that no customer information be reported without the explicit permission of customers. Customers have found this to be a barrier to doing energy efficiency.

***Response:***

The OER understands the sensitivity regarding customer information and will handle the information accordingly. The OER finds that the Plan as proposed is appropriate and there is no need for any change based on this comment.

**Decision**

It is the decision of the Office of Energy Resources to approve the 2013 Allocation Plan – Distribution of RGGI Proceeds. The Plan is appended to this Decision.

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Date

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Marion S. Gold, Commissioner  
Office of Energy Resources

Copies of Decision to:

Sean Murphy, LEED Green Associate  
Associate Analyst  
Energy Efficiency Policy & Evaluation -Rhode Island  
National Grid | 40 Sylvan Road  
Waltham, MA 02451

Kat Burnham  
Peoples Power & Light  
2 Regency Plz Ste 8,  
Providence, RI 02903