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.
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> 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.

K. Payne Nov. 17, 2011

Kenneth Payne, Administrator
Office of Energy Resource