

State of Rhode Island
Department of Administration
Office of Energy Resources

In re: Proposed 2012 Allocation Plan – Distribution of Regional Greenhouse Gas Initiative Proceeds

RESPONSE TO COMMENTS

Introduction

On March 22, 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 “2012 Allocation Plan - Distribution of Regional Greenhouse Gas Initiative Auction Proceeds”. The notice stated that a public hearing would be held on April 23, 2013 at 10:00 a.m. in Conference Room B, 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, 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 April 23, 2013 at 10:00 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 May 3, 2013.

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 CO₂ Budget Trading Programs in each of the ten participating states. The Rhode Island Department of Environmental Management promulgated regulations establishing a CO₂ Budget Trading Program that limits emissions of CO₂ from electric power plants, issues CO₂ allowances and establishes participation in regional CO₂ 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 CO₂ Budget Trading Program.

Pursuant to Rhode Island General Laws §23-82, RGGI, Inc. (or other independent contractor) is authorized to receive, hold and sell CO₂ 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.

No comments were received at the public hearing from. Written comments were received from Jeremy Newberger of National Grid. The following is the OER's responses to the comments received.

Response to Comments

The following comments were submitted by Jeremy Newberger, of National Grid, in an e-mail April 19, 2013 to Barbara Cesaro, of the Office of Energy Resources, followed by OER's response.

Comment:

3.0 Auction Proceeds included in this Allocation Plan

The 2012 Allocation Plan includes auction proceeds collected in 2011. The Allocation Plan does not include the \$2,857,538.70 in proceeds from Auctions 15 – 18, held in 2012. Please clarify when the OER will develop an allocation plan for those funds. The Company believes those funds can be put to immediate use by supporting energy efficiency in Commercial & Industrial (C&I) sector through finance.

Response:

The Office will be consulting with the EERMC and the RECB (in accordance with RIGL 23-82-6(c)) to discuss the 2013 Allocation Plan (Proceeds from Auctions 15-18). It is anticipated that the Proposed Plan will be available for Public Comment late summer/early fall.

Comment:

Allocation Plan calls for \$46,504.60 to be used for purposes and goals of Least Cost Procurement Energy Efficiency Program (EE) set forth the 2009 Plan, but not for the Innovative Financing and Partnership Program.

The Company proposes that the \$46,504.60 be added to the Revolving Loan Fund account at National Grid and be committed to one or more commercial or industrial customer(s) in 2013 to finance their cost of the project through on-bill repayment.

Rationale: As stated in the Company's RGGI Reports for 2011 and 2012 and will be in the 2013 RGGI Report, all of the Company's pilots under the 2009 Plan funded by the allocations under the 2009 RGGI Plan have been completed. Successful components from those pilots have been integrated into the 2013 Energy Efficiency Programs. Therefore, funding for those pilots and the activities they funded are already available to customers through current programs and no additional funding is needed. Additionally, priorities for meeting today's energy efficiency goals have changed in the past four years since the 2009 Plan was developed. The Company's recommended purpose is consistent with the objectives of §23-82-6 and that the best use today of these RGGI funds will be the

LC&I Revolving Loan Fund.

Response: The 2012 Plan shall be revised to the following:

5.3.2 In this 2012 Plan, \$46,504.60 is being paid to the Utility to correct the payment error made in the distribution of the 2009 Plan. The Utility shall use these funds in accordance with Section 5.4.2a. of this Plan.

Comment:

5.4.2b Energy Efficiency projects at existing community buildings.

The Company assumes that 5% is equal to \$120,120.34. An additional \$252,167.38 shall be allocated from the 2011 Plan for this initiative. The Company believes the total to be \$372,287.72. The total amount for this initiative should be clarified in the Allocation Plan.

The Company supports the allocation to this initiative because we believe we can use the funds to help customers who own community buildings overcome financial challenges and choose to invest in energy efficiency through our Small Business Direct Install Program.

The Company notes that this initiative is above and beyond the energy efficiency plans approved by the Collaborative, EERMC and Commission for 2013. In order for the Company to manage these funds successfully, the community building initiative must complement the existing approved energy efficiency portfolio and deliver on goals therein without additional burden.

Because these funds are above and beyond those approved for 2013, neither the Company's spending budget nor its electric efficiency goals for 2013 will be altered; however, the funds will assist National Grid to reach its approved goals. Therefore, the Allocation Plan should note that this distribution will not affect the Company's approved spending budget and energy efficiency goals for 2013.

Response:

As stated in the comment \$372,287.72 is the correct amount that will be allocated to this program. The OER agrees that this program will not require National Grid to increase its spending budget nor its electric efficiency goals for 2013. The OER does not feel that this needs to be stated in the RGGI 2012 Plan. The OER finds that the Plan as proposed is appropriate and there is no need for any change based on this comment.

Comment:

5.4.2.c Thirty Five percent allocated to evaluate the costs and benefits of deploying renewable distributed generation.

Please clarify in the Allocation Plan that "pilot" refers to the Renewables

Deployment Pilot, and not the Company's System Reliability Pilot. Even as these are both being deployed in the same area, it is important to make the distinction that they are separate efforts.

Please specify an expected end date for the Pilot and consider changing the recipient of unused funds from RI PEP to energy efficiency in municipal or state buildings. This will achieve some of the same objectives as the RI PEP, without being tied to the existence of RI PEP at the time the pilot ends.

The RGGI Plan says the OER will administer the Pilot in partnership with National Grid and the Council. The Company supports the allocation of funds to the Pilot and is happy to work with OER to coordinate efforts.

Please clarify in the Allocation Plan that, as administrators of the Pilot, the OER will be solely responsible for disbursing funds, evaluating the cost-effectiveness, monitoring impacts from the pilot, and reporting outcomes. It is important to make this distinction because of the presence of National Grid's SRP pilot in the same area and National Grid's assistance to OER in coordination of the Pilot.

Response:

As stated in the comment, the pilot project described in the Plan is a distinct and separate project from National Grids System Reliability Pilot. The Office will administer all aspects of the Pilot.

The last paragraph of Section 5.4.2.c of the 2012 Plan now reads:

The Office will administer the program in partnership with the Utility and the Council. The Office will be responsible for disbursing funds, evaluating cost-effectiveness, monitoring the impacts from the pilot and all associated reports.

Comment:

5.5.1 Quarterly Reports

National Grid supports the requirement to report on the use of the funds. The Company will include detailed description of these initiatives, excluding the Renewables pilot, in the EE Quarterly Report, already scheduled and delivered to Collaborative, Council and filed with Commission.

However, the Company requests that the requirement to include program benefits (i.e., dollar value of benefits created) should 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 on spending and achievements toward savings goals.

The Allocation plan 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 EE Report filed with the Commission, typically around May 1st.

The reporting requirements of this section should be clarified to say that the Utility shall prepare a report about funds disbursed under Sections 5.4.2.a and 5.4.2.b. only. The OER or some other entity should prepare a report for funds disbursed under Section 5.4.2.c.

Response:

The OER maintains that quarterly reports are necessary to track the programs progress and report the benefits of the specific projects funded with RGGI dollars. The OER maintains that the RGGI funds used for projects, implemented by the Utility, be tracked separately from other Utility programs. Those benefits will be reported to RGGI Inc. for publication in the “Regional Investment of RGGI CO₂ Allowance Proceeds.” The OER finds that the Plan as proposed is appropriate and there is no need for any change based on this comment.

Comment:

5.5.2 Report with names of entities

The Company will provide the names of customers completing projects supported by 2011 RGGI funds in year-end EE Report for 5.4.2.a and 5.4.2.b. only. The Company is not responsible for 5.4.2.c., the Renewables Pilot. The Allocation Plan should clarify this.

We recommend that this reporting requirement be extended to the OER or whatever entity is responsible for use of funds for the renewables pilot under Section 5.4.2.c.

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.

Please specify that 5.5.2 applies to only funds distributed under the 2012 Allocation Plan.

Response:

The reporting requirements in the 2012 Plan are specific for the programs identified in this Plan. The Utility is only responsible for reporting on the programs described in sections 5.4.2.a and 5.4.2.b. 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 2012 Allocation Plan – Distribution of RGGI Proceeds. The Plan is appended to this Decision.

7/12/13
Date


Marion S. Gold
Marion S. Gold, Commissioner
Office of Energy Resources