

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



PROPOSED
2015 PLAN FOR THE ALLOCATION AND DISTRIBUTION OF REGIONAL
GREENHOUSE GAS INITIATIVE AUCTION PROCEEDS

Auctions Held March 5, 2014 – June 3, 2015

June 2015

1.0 Authority

The 2015 Plan for the Allocation and Distribution of Regional Greenhouse Gas Initiative Auction Proceeds (Plan) is authorized by Rhode Island General Laws (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 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 Plan

3.1 RGGI, Inc. conducted auctions on behalf of the State of Rhode Island on March 5, 2014 (RGGI Auction #23), June 4, 2014 (Auction #24), September 3, 2014 (Auction #25), December 3, 2014 (Auction #26), March 11, 2015 (Auction #27), and June 3, 2015 (Auction #28).

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

Auction #23	\$2,505,504.00
Auction #24	\$2,610,972.28
Auction #25	\$2,538,156.32
Auction #26	\$2,709,788.73
Auction #27	\$2,506,425.95
<u>Auction #28</u>	<u>\$2,548,117.00</u>
Total	\$15,418,964.28

4.0 Adoption of the 2015 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. 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. The annual auction proceeds proposal shall be designed to augment and coordinate with existing energy efficiency and renewable energy programs, and shall not propose use of auction proceeds for projects already fully funded under other programs.
- 4.2. The Rhode Island Office of Energy Resources (OER) is authorized to allocate the auction proceeds for the following purposes, in a proportion to be determined annually by OER in consultation with the Rhode Island Energy Efficiency and Resources Management Council (EERMC) and the Rhode Island Renewable Energy Coordinating Board (RECB):
- (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 RIGL §39-26-5 and to achieve the purposes of chapter 39-26 entitled “Renewable Energy Standard”;
 - (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 OER and the Department of Environmental Management (DEM) in administering this program.
- 4.3 To accomplish these purposes, OER also consulted with DEM to discuss this Plan.
- 4.4 OER concludes that this Plan is consistent with the applicable statutes and regulations. Public notice of the proposed Plan was provided on _____. A copy of the Notice is attached hereto. A public comment hearing was held on _____ at the

Department of Administration, One Capitol Hill, Providence, Rhode Island. The public was allowed additional time to submit written comments until _____.

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

4.6 OER and DEM 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 2015 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 listed in Section 3.0.

5.1.2 Wherefore, RGGI, Inc. was compensated \$106,995.64 from auction proceeds.

5.2 Administrative expenses

5.2.1 RIGL §23-82-6(a)(6) authorizes the reasonable costs of OER and DEM in administering the RGGI program. The total reimbursement to both entities shall not in any year exceed Three Hundred Thousand Dollars (\$300,000.00) or ten percent (10.0%) of the proceeds, whichever is greater.

5.2.2 Ten percent (10.0%) of total auction proceeds from auctions conducted in 2014 and subject to this Plan equals \$1,036,442.14. This value is greater than \$300,000. Therefore, as specified in RIGL §23-82-6(a)(6), OER and DEM shall be reimbursed a total of \$1,036,442.14.

5.2.3 Ten percent (10.0%) of total auction proceeds from auctions conducted in 2015 and subject to this Plan equals \$505,454.30. This value is greater than \$300,000. Therefore, as specified in RIGL §23-82-6(a)(6), OER and DEM shall be reimbursed a total of \$505,454.30.

5.3 Allocation of Auction Proceeds

5.3.1 Total Auction Proceeds for the RGGI auctions listed in Section 3.0 were \$15,418,964.28. After deducting the compensation for RGGI, Inc. and the administrative expense reimbursement to OER and DEM, as specified in Sections 5.1 and 5.2, the balance remaining is **\$13,770,072.20**.

5.3.2 OER finds 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; and the promotion of cost-effective renewable non-carbon emitting energy technologies in an integrated manner shall be best accomplished by disbursements as follows:

5.3.2.a **\$3,000,000.00 (Three Million Dollars)** shall be allocated to support energy efficiency and/or renewable energy financing programs for Rhode Island homeowners, commercial entities, public sector, and other appropriate entities through an “infrastructure bank” established pursuant to state law.

5.3.2.b **\$3,420,072.20 (Three Million, Four Hundred Twenty Thousand, Seventy-two Dollars and Twenty Cents)** shall be leveraged with ratepayer funds and allocated to support energy efficiency incentives, financing, and/or other services delivered through National Grid-administered programs. Support for these energy efficiency programs is consistent with Least Cost Procurement mandates; helps achieve lowest cost, carbon-free energy savings; and supports local economic investment and job growth. The specific programs and process for distribution of the funds will be developed by OER working in

coordination with the EERMC and National Grid (Utility). Any funds allocated to the Utility shall be tracked and managed in a shadow account.

5.3.2.c **\$1,000,000.00 (One Million Dollars)** shall be allocated to support the continuation of the Rhode Island Public Energy Partnership (RIPEP). RIPEP is a collaborative effort to achieve deep energy savings at public sector facilities and support cost-effective investments in infrastructure for on-going savings. Energy efficiency improvements at public sector facilities can reduce energy consumption and associated utility costs, while supporting local economic growth and job creation. Consequently, these projects will benefit Rhode Island taxpayers and advance the state's energy and environmental goals.

These funds shall be utilized to drive key components of this comprehensive project, including, but not limited to, benchmarking and on-going analysis of energy consumption at public sector facilities; identification and mitigation of barriers to efficiency improvements; and financial incentives. Funding to support project incentives shall be dispersed through on-bill repayment, direct incentives, or other appropriate methods, as determined by OER and in collaboration with National Grid, and will seek to leverage other existing incentives, funding streams, and programs, where appropriate. Any funds allocated to the Utility shall be tracked and managed in a shadow account.

5.3.2.d **\$3,800,000.00 (Three Million Eight Hundred Thousand Dollars)** shall be allocated to assist state agencies and municipalities make cost-effective, energy saving investments in LED (light emitting diode) lighting and associated control technologies as follows:

\$2,800,000.00 (Two Million Eight Hundred Thousand Dollars) shall be allocated to the Rhode Island Department of Transportation (DOT) to expand LED replacement and associated control technologies across their network of streetlights, consistent with allocations made in the 2014 RGGI Plan. OER will administer this program in partnership with DOT and seek to leverage existing incentives and other programs made available by the Utility, where possible.

\$1,000,000.00 (One Million Dollars) shall be allocated for use by Rhode Island municipalities to support the installation of LED streetlights and associated control technologies, consistent with allocations made in the 2014 RGGI Plan. This program will be administered by OER.

5.3.2.e **\$1,600,000.00 (One Million Six Hundred Thousand Dollars)** shall be allocated to the Utility to provide energy efficiency incentives for residential customers with homes heated by delivered fuels (oil, kerosene, and propane) and administered in collaboration with OER. This program will allow the Utility to continue offering incentives for homes heated by delivered fuels, all of whom are also electricity customers. Such investments capture electricity savings, including savings from oil-heated homes with air conditioners; achieve reductions in carbon emissions associated with more efficient use of delivered fuels; and prevent market disruptions for installation contractors, thus supporting local businesses.

Of these funds, \$100,000.00 (One Hundred Thousand Dollars) shall be reserved to provide energy efficiency incentives to small commercial businesses, with emphasis on the agricultural sector, that use delivered fuels for heat or other thermal processes.

The Utility shall collaborate with OER and the EERMC as energy efficiency incentives are designed for residential and small commercial/agricultural delivered fuel customers. Consideration shall be given to incentive structures and marketing techniques to address the following: need-based incentives for lower-income customers; refined customer targeting to enroll delivered fuel customers with higher electric usage; incentives that achieve better parity with comparable natural gas program incentives; and other criteria as identified in cooperation with OER and the EERMC. This funding shall be tracked and managed in a shadow account at the Utility.

5.3.2.f **\$300,000.00 (Three Hundred Thousand Dollars)** shall be allocated to support the adoption of small-scale solar through community-based Solarize campaigns. Solarize is a coordinated, targeted marketing and education campaign that can drive localized

economies of scale and reduce installation costs for solar energy systems. These funds will be used to engage a qualified Solarize marketing entity, who will work in partnership with OER to design and implement new Solarize campaigns in selected Rhode Island communities. OER may partner with other state agencies, as appropriate, to leverage administrative and programmatic expertise. A portion of these funds may also be used to support necessary safety inspections for solar projects installed through a Solarize campaign.

5.3.2.g **\$650,000.00 (Six Hundred Fifty Thousand Dollars)** will be made available to support local investments in energy efficiency and other clean energy solutions in the Pascoag Utility District (PUD) and within the service territory of the Block Island Power Company. OER will administer this initiative and provide technical assistance for program development and implementation.

\$150,000.00 (One Hundred Fifty Thousand Dollars) shall be allocated to the Pascoag Utility District to support investments in energy efficiency and other clean energy projects, subject to an OER-approved scope of work and memorandum of understanding. Projects shall leverage PUD-administered demand-side management funds and/or other sources of District capital, where appropriate.

\$500,000.00 (Five Hundred Thousand Dollars) shall be allocated to support the delivery of cost-effective energy efficiency programs and incentives to residential and small commercial customers in New Shoreham. OER shall administer this program in consultation with the EERMC.

5.4 Tracking and Reporting

5.4.1 The Utility shall prepare quarterly programmatic and financial reports, and an annual report, for programs managed by the Utility that utilize RGGI funding according to the terms of the Plan. The reports shall include, at minimum, a detailed description of: (1)

program components; (2) project costs; and (3) program benefits, including, but not limited to, energy savings and job hours associated with RGGI-funded projects.

5.4.2 The Utility shall prepare a report which shall include a list with the names of the entities receiving funding. This information shall be public information. The report shall be submitted to OER.

5.4.3 Consistent with OER's reporting requirement under RIGL 23-82-6(d), all recipients of RGGI funding are required to comply with OER data and reporting requests, including, but not limited to, those reporting requirements specified in procurement documents and/or any memoranda of understanding.

6.0 Reallocation of RGGI funds from the 2012 and 2013 Plans for the Allocation and Distribution of Regional Greenhouse Gas Initiative Auction Proceeds

6.1 Reallocation from the 2012 Plan (adopted June 2013)

6.1.1 OER identified a calculation error in the 2012 Plan in the amount of **\$18,601.84**. These funds shall be reallocated to achieve the purposes of Section 5.3.2.b of the 2015 Plan.

6.2 Reallocation from the 2013 Plan (adopted February 2014)

6.2.1 OER finds that **\$150,000.00** of funds allocated pursuant to Section 5.3.2.g of the 2013 Plan shall be reallocated to achieve the purposes of Section 5.3.2.b of the 2015 Plan.

6.2.2 OER finds that **\$45,788.00** of funds allocated pursuant to Section 5.3.2.d of the 2013 Plan shall be reallocated to support renewable energy projects at Rhode Island public and private schools (K-12) pursuant to Section 5.3.2.d of the 2014 Plan.

7.0 Allocation of Accrued Interest on State RGGI Proceeds

- 7.1 OER has identified \$44,896.35 in accrued interest payments on state RGGI auction proceeds as of June 1, 2015.

- 7.2 OER finds that **\$44,896.35** shall be allocated to support renewable energy projects at Rhode Island public and private schools (K-12) pursuant to Section 5.3.2.d of the 2014 Plan.