

State of Rhode Island
Rhode Island Office of Energy Resources

In re: Proposed 2021-B Allocation Plan – Distribution of RGGI Auction Proceeds

RESPONSE TO COMMENTS

Introduction

On September 2, 2021, a notice was posted on the websites of the Rhode Island Office of Energy Resources (OER) and the Rhode Island Office of Secretary of State announcing a public comment period to accept comments on the adoption of the proposed “2021-B Allocation Plan - Distribution of Regional Greenhouse Gas Initiative Auction Proceeds” (the Plan). The public hearing was held on October 5, 2021 at 09:30 A.M. on conference room 2B at the Department of Administration, One Capitol Hill, Providence, RI 02908. Copies of the proposed Plan were made available on OER’s website at www.energy.ri.gov; or by calling (401) 574-9100 weekdays from 8:30 A.M. to 4:00 P.M.; or by writing to Rhode Island Office of Energy Resources, One Capitol Hill, Providence, Rhode Island.

The public hearing was held on October 5, 2021 at 09:30 A.M. At the end 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. The public comment period closed on October 15, 2021.

The Regional Greenhouse Gas Initiative (RGGI) is a cooperative effort by Eastern 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 eleven 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 another 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 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 October 5, 2021. There were no attendees at the public hearing.

Response to Comments

The following is from written comments submitted by Kai Salem, Green Energy Consumers Alliance

(GECA), via e-mail on October 4, 2021:

Comment: GECA offers several comments on reporting.

Response: OER appreciates these comments and is currently examining opportunities to improve reporting on RGGI-funded initiatives, with a goal of capturing the holistic impact of these important clean energy investments. We note that, in many cases, clean energy investments supported by state RGGI dollars are leveraged with other funding sources and programs that already provide publicly-accessible reports. For example, RGGI funding leveraged with National Grid system benefit charge dollars are driving energy savings and other positive outcomes reported in utility filings; funds directed to CommerceRI's Renewable Energy Fund (REF) are incorporated in that program's annual reporting to the General Assembly, which includes a listing of individual awardees; and grants awarded through the Farm Energy Program are listed on DEM's website. Finally, OER and DEM support annual, initiative-wide proceeds reporting issued by RGGI, Inc.

Comment: ...we note that OER and DEM receive funding for the administration of this program. Every year, the agencies take the maximum allowed for administration of the program. Green Energy Consumers supports this compensation to the agencies; however, we have questions about "double-dipping." Does any of the \$4.7 million reserved for the REF or the Lead By Example program go to fund additional administration by these agencies?

Response: There is no "double-dipping." OER and DEM carefully adhere to the requirements of our state's General Laws, §23-82-6(a)(6), which reads, in part:

Reasonable costs of the department of environmental management and office of energy resources in administering this program, as well as other climate change, energy efficiency, and renewable program efforts of the department of environmental management and office of energy resources, which shall not in any year exceed three hundred thousand dollars (\$300,000) or ten percent (10%) of the proceeds from sale or auction of the allowances, whichever is greater.

Neither agency receives staffing support from RGGI programmatic allocations beyond what is allowed by statute. All allocated programmatic funds are used to directly support and implement clean energy programs and investments across the Rhode Island economy. Agency budgets are also subject to oversight by the General Assembly.

Comment: GECA 1. \$2,314,997.26 to support small-scale and commercial-scale solar through the REF: a. How was that \$600,000 used, and how will this increase in funding change the program? b. How much money will be spent on small-scale vs. commercial-scale solar?

Response: The 2021-A plan funds were used, exclusively, for the REF small-scale incentive program, which saw significantly more applications than expected – a 33% increase in the number of applications from the previous round in Fall 2020. Additionally, 32 of the small-scale project applications included the energy storage adder and, given that this is a

new program, the REF wanted to ensure all of these projects could be funded. Further, we note that RGGI funds committed to the REF are leveraged with funds received by CommerceRI pursuant to statute.

The REF is required to submit an annual financial and performance report to the Governor and General Assembly. For additional information on the REF program, please visit: commerceri.com/financing/renewable-energy-fund/.

Approximately \$1.5 million will support the commercial scale program and an estimated \$815,000 will support the small-scale program. Both programs include an option to receive the energy storage incentive as a possible adder. Additionally, commercial scale projects may utilize the carport adder.

Comment: GECA 2. \$2,400,000 to support the state's Lead By Example initiatives: a. What is the total sum of money that is needed to bring government buildings up to net zero? b. How is the state using RGGI funding to leverage other available funds—especially federal and Least Cost Procurement funding—to maximize this impact? c. How much is being spent on energy efficiency vs. renewable energy? d. Is any of this funding being spent to weatherize or electrify government buildings? Is any of this funding going towards enabling electric vehicle charging or other electric transportation? If not, Green Energy Consumers urges Office of Energy Resources to earmark some of this funding for those purposes.

Response: The total dollars needed to bring all government buildings to net zero emissions is currently unknown.

OER seeks every opportunity to leverage outside resources, financial and otherwise, to maximize the impact of our work. RGGI funds are routinely leveraged with utility-administered programs and incentives for energy efficiency measures, as supported by Least Cost Procurement. Moreover, we coordinate, to the extent possible, with federal, state, and municipal programs and investments to further leverage public dollars. For instance, RGGI allocations made to the REF leverage system benefit charge dollars directed to CommerceRI, per statute.

Since 2017, within the Lead by Example program, \$1.27 million (23%) of allocated RGGI funding has been spent on renewable energy projects and \$4.2 million (77%) has been committed to energy efficiency projects.

Consistent with RIGL §23-82-6(a)(1), some of this funding has been used to conserve electricity and capture energy cost savings from weatherization/electrification at public facilities. For example, the Lead by Example initiative has supported the installation of high-efficiency heat pumps to replace oil-heated systems at the State Police barracks in both Wickford and Hope Valley. We are also working to install a central heat pump heating and cooling system at the State Police training academy in Foster. Work has also begun across a number of State buildings to replace aged, fossil fuel-based hot water heaters with hybrid heat pumps. In line with utility-administered incentives, the goal of

these investments is to reduce the total amount of electricity that might otherwise be used by incentivizing the purchase of higher-efficiency systems, while supporting a gradual transformation from carbon-based fuels to (clean) electricity. These investments also support improved building comfort and utility cost reductions, and contribute to the growth of our clean energy economy.

Lead by Example RGGI funds are not being used to support direct investment in electric vehicles due to statutory restrictions. However, other non-RGGI funded efforts across State Government are underway to expand penetration of clean transportation solutions for state government, and to comply with the Lead by Example goal of ensuring that a minimum 25% of new light-duty state fleet purchases and leases will be zero-emission by 2025.

Comment: GECA 3. \$2,000,000 to accelerate LED adoption across municipal and school facilities. a. This project was previously funded in the 2021-A auction. How was this money spent, and how did it leverage other sources of funding in the process? b. During the 2021-A Auction, Green Energy Consumers questions [sic] whether municipal facilities require such a big influx of cash for LEDs when the market has now been transformed. LEDs are already cost-effective and the main option in the marketplace. In the most recent energy efficiency annual plan, the utility company is no longer rewarded for replacing lighting with LEDs. Thus, we oppose this project on the basis that municipal lighting is already funded through normal operational costs of municipal buildings and should be thus excluded from the RGGI program.

Response: To date, on a pilot basis, funds from the 2021-A RGGI Plan have been allocated to the frontline communities of Central Falls and Providence to support LED lighting and controls upgrades. We are presently targeting investments at nine schools in those communities. To date, we have identified leveraged funds of nearly \$626,000 in the form of National Grid energy efficiency incentives. As projects are still under development, additional leveraged funds may be identified. For instance, on October 14, 2021, RIDE, OER, and ODEO issued a press release announcing a joint Facility Equity Initiative to fund school improvements for the state's underserved students. Along with these incentives, OER is providing substantial technical and procurement support to assist municipalities and school districts implementing clean energy projects. In addition to energy and cost reductions for oft-constrained public budgets, these projects will enhance the learning environment for local students and faculty through improved lighting quality, and give facilities managers greater control over lighting systems.

OER acknowledges that the lighting market has largely been transformed, particularly thanks to years of ongoing investment in aggressive, cost-effective energy efficiency programs, such as those here in Rhode Island. However, the reality is that many public sector entities have not converted their building lighting to high-efficiency LEDs and these projects are not being advanced regardless of how cost-effective they may be. There are many reasons for this. For example, many municipalities and state agencies have generally constrained budgets, which in turn place restrictions on how much can be dedicated to capital improvements and maintenance. We also know that much of the

public building stock is aged and, therefore, present numerous competing opportunities for investment. Often times, these buildings have major structural needs that must be addressed immediately (e.g., roofs, failed heating systems), sometimes pushing off opportunities to capture even the “lowest hanging fruit” of energy savings. Moreover, many public entities lack dedicated or sufficient levels of personnel to advance clean energy projects (no matter how cost effective they might be), and the technical expertise required to successfully design, procure, and implement such projects.

In working with state agencies and municipalities, as well as the utility, OER has identified significant opportunities to comprehensively support public sector entities by providing the financial, administrative, and technical assistance to overcome those barriers. In doing so, we are helping advance highly-cost effective, carbon-free measures that generate immediate energy cost savings, while improving the quality and comfort of public buildings, enhancing public lighting, integrating lighting controls, and reducing greenhouse gas emissions.

Comment: GECA 4. \$1,500,000 to support “clean energy and resiliency investments” that support RIPTA operations: a. Green Energy Consumers sees RIPTA as a key opportunity for investment. Investments in clean energy at RIPTA provide equity and environmental benefits to all Rhode Islanders. However, this project description is overly broad. We request a budget to better understand what RGGI proposes to fund. b. Green Energy Consumers Alliance specifically supports using RGGI funding to accelerate the adoption of electric buses and their necessary charging infrastructure. c. We urge OER to ensure that it is fully aligning RGGI funding with prior funding commitments from National Grid through the Docket 4770 electric transportation programs as well as federal infrastructure funding and the Volkswagen settlement funds. d. What specific gaps in the existing funding does OER propose to fill with these RGGI funds?

Response: OER concurs that RIPTA’s public transit system represents a unique opportunity to advance clean energy solutions for Rhode Island, especially in frontline communities. Most recently, OER has been working with RIPTA to explore the idea of improved resiliency measures that might complement the electrification of their bus fleet. We are currently working with the RIPTA team to scope a demonstration project that aims to build resilience for electric bus charging by pairing those charging stations with solar PV and battery energy storage.

This proposed project will fill the gap of demonstrating a replicable model of resilience, sustainability, financial efficiency, and system replicability within the future electrified transit network. In other words, we are looking beyond demonstration of electric bus technology to demonstrate an electrified bus transit network.

RIPTA is leveraging federal funding to support bus fleet electrification, and we propose to also leverage available funding from renewable energy programs, as appropriate and available. RGGI funding is explicitly filling the gap of bringing these components together in a replicable demonstration project that can enable full decarbonization of Rhode Island’s transit system and unlock benefits for riders, communities, our

environment and economy.

The use of RGGI dollars to directly support the purchase of electric buses is not an authorized use of funds under Rhode Island General Laws.

OER works closely with the utility in the deployment of its clean transportation initiatives, such as the ElectrifyRI program. The Public Utilities Commission's ruling on the DCFC Tariff in Docket 4770A – and its resulting impact for RIPTA – will be integrated into project planning. OER and RIPTA will leverage additional funding streams as appropriate and when available.

Comment: GECA 5. \$200,000 for the farm energy program” a. Green Energy Consumers has no specific comments on this program, which is a relatively small commitment of money. However, we again request a budget.

Response: Our on-going commitment to the Agricultural Energy Grant program is dedicated to providing clean energy project grants (up to \$20,000 per project) directly to agricultural entities throughout Rhode Island. These funds are disbursed through bi-annual application rounds evaluated by OER and DEM staff. This program is now entirely administered by OER, with DEM support, which allows us to commit 100% of allocated funding to project investment, with administrative overhead and staffing provided via OER's operational budget. For more information on this program, including a listing of past grant recipients and award amounts, please visit: www.dem.ri.gov/programs/agriculture/grants-farm-energy.php.

Comment: 6. \$120,000 for energy efficiency projects at the Pascoag Utility District. a. Green Energy Consumers notes that RGGI has funded energy efficiency at the Pascoag Utility District in the past. We had hoped that this funding would be sufficient to help PUD set up their own Demand Side Management program, funded by their ratepayers, to achieve all cost-effective energy efficiency. We urge PUD to propose a higher DSM charge if the current one is not sufficient to provide energy efficiency to their ratepayers.

Response: The proposed RGGI funds will be leveraged with Pascoag Utility District demand side management funds, as has been the case since project inception. Pascoag is a regulated utility and its annual demand side management programs and budgets are subject to regulatory review and approval by the Public Utilities Commission. OER has proposed this recent commitment with the understanding that such programs must be sustained over the long run without RGGI support. Further comment on the level of PUD's DSM charge should be directed to the utility and/or state regulators.

The following is from written comments submitted by Gregory Nordin, RIPTA, via e-mail on October 4, 2021:

Comment: RIPTA provided a letter “in strong support” of the proposed RGGI allocation to support clean energy and resilience investments supporting their operations. RIPTA noted its commitment to partnering with OER to “effectively, impactfully, and responsibly deploy

these auction proceeds in ways that are aligned with state energy and climate policy.”

Response: Thank you for these comments.

The following is from written comments submitted by Paul Roselli, Burrillville Land Trust, via e-mail on October 8, 2021:

Comment: We are currently working on acquiring three parcels of land that total 240 acres: a conservation easement on 25 acres; a fee simple acquisition of a 65 acre working farm; and, a fee simple acquisition on an iconic 150 acre parcel viewed by hundreds traveling to and from work each day along East Avenue (Route 107) in Harrisville, RI. I'm writing to you looking for RGGI funds to be used as a carbon offset and carbon sequestration for the 150 acre parcel.

Response: Land acquisition is not an allowable use of RGGI auction proceeds under Rhode Island General Laws §23-82-6, et. seq.

Decision

It is the decision of the Office of Energy Resources to approve the 2021-B Allocation Plan – Distribution of RGGI Proceeds. The Plan is appended to this Decision.

Nicholas S. Ucci
Commissioner

Copy of the Decision sent via email to the following:

Kai Salem, Green Energy Consumers Alliance
Gregory Nordin, RIPTA
Paul Roselli, Burrillville Land Trust