

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

DEPARTMENT OF ADMINISTRATION

OFFICE OF ENERGY RESOURCES



2013 PLAN FOR THE ALLOCATION AND DISTRIBUTION OF REGIONAL
GREENHOUSE GAS INITIATIVE AUCTION PROCEEDS

Auctions Held March 14, 2012 – December 5, 2012

February 2014

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 March 14, 2012, June 6, 2012, September 5, 2012 and December 5, 2012.

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

- March 14, 2012 - \$746,647.52
- June 6, 2012 - \$693,744.29
- September 5, 2012 - \$781,893.18
- December 5, 2012 - \$635,253.71

Total (\$2,857,538.70)

4.0 Adoption of the 2013 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 funded under other programs.

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 Energy Efficiency and Resources Management Council (“Council”) and the Rhode Island Renewable Energy Coordinating Board (“Board”):

- (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 Department and Office in administering this program.

4.3 To accomplish these purposes, the Office consulted with the Council on and the Board to discuss the 2013 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 March 14, 2012; June 6, 2012; September 5, 2012, and December 5, 2012 shall be expended.

4.4 The Office concludes that this Plan is consistent with the applicable statutes and regulations. Public notice of the draft Plan was provided on December 20, 2013. A copy of the Notice is attached hereto. A public comment hearing was held on January 22, 2014 at the Department of Administration, One Capitol Hill, Providence Rhode Island. Thereafter, the public was allowed additional time to submit written comments until February 1, 2014.

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, Council and Board 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 2013 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 March 14, 2012; June 6, 2012; September 5, 2012, and December 5, 2012.

5.1.2 Wherefore, RGGI, Inc. was compensated \$32,658.09 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 fifteen (15) RGGI auctions occurring prior to the date of this Plan total \$18,724,492.25. Five percent of these proceeds equal \$936,224.61. The statute limits reimbursement of administrative costs to the lesser of five percent or \$300,000. Three Hundred Thousand Dollars is less than \$936,224.61. Therefore, DEM and OER are authorized to be reimbursed \$300,000 for their administrative costs in year 2012.

5.2.3 The maximum statutory reimbursement for 2012 is \$300,000. Therefore, DEM and OER shall each be reimbursed \$150,000 for their reasonable costs in 2012.

5.3 Allocation of Auction Proceeds

5.3.1 The Auction Proceeds for the RGGI auctions conducted on March 14, 2012; June 6, 2012; September 5, 2012, and December 5, 2012. After deducting the compensation for RGGI, Inc. and the administrative expense reimbursement to the Office and Department, the balance remaining is \$2,524,880.61.

5.3.2 The Office 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. **Sixty percent of the Auction Proceeds shall be allocated for Energy Efficiency and forty percent shall be allocated to projects related to the Integration of Efficiency and Renewable Energy, Grid Modernization and Innovation.**

5.3.2.a **\$800,000.00 (Eight Hundred Thousand Dollars)** shall be allocated to the Utility to provide energy efficiency rebates to homes heated with deliverable fuels (oil and propane). This program will allow the Utility to continue offering 25% (twenty-five percent) incentives for homes heated by deliverable fuels, all of whom are also electricity customers. Use of the funds for efficiency services to this sector: 1) captures electricity savings including potentially significant savings from oil-heated homes with air conditioners; 2) achieves reductions in carbon emissions associated with more efficient use of delivered fuels; 3) prevents market disruptions for the installation contractors to insure that a strong contractor community is available in 2014 so that RI can remain on the upward trajectory that Least Cost Procurement will require.

\$200,000.00 (Two Hundred Thousand Dollars) shall be allocated to the Utility to provide energy efficiency rebates to commercial businesses, including the agricultural sector, that use deliverable fuels (oil and propane) for heat.

Funding for these programs shall be tracked and managed in a shadow account at the Utility.

5.3.2.b **\$41,427.00 (Forty-One Thousand Four Hundred and Twenty Seven Dollars)** shall be allocated to provide technical support to a working group dedicated to developing a cleaner more efficient energy system for homes and businesses using delivered fuels for heat.

The working group will explore approaches used in other states to funding delivered fuel efficiency programs as well as lowering costs, carbon emissions and energy use in this sector. A final report will provide specific goals, a timeline and funding opportunities for the long term goal of a cleaner, more efficient delivered fuels sector.

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.

5.3.2.c **\$427,713.00 (Four Hundred Twenty Seven Thousand Seven Hundred and Thirteen Dollars)** shall be allocated to the Utility to augment energy efficiency projects at existing community buildings (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). This program was initiated in 2012 using RGGI funds. This additional funding will allow more community non-profits to take advantage of the program.

Funding for this program shall be tracked and managed in a shadow account at the Utility and shall only be used to support investment in electric efficiency program projects. The criteria and process for distribution of the funds that provide this support will be developed by the Office working in conjunction with the Council and the Utility prior to execution of the implementation plan.

5.3.2.d **\$45,788.00 (Forty-Five Thousand Seven Hundred and Eighty Eight Dollars)** shall be allocated to implement a Home Energy Assistance Loan (HEAL) program in Rhode Island. The funds shall be used to implement a one-year HEAL pilot program, to support more Rhode Islanders in participating in energy efficiency programs to reduce their electricity, heating and cooling costs. This project will lay the groundwork for implementing an innovative residential efficiency financing program which provides incentives for efficiency through an employee Human Resources benefit. The Office will administer the pilot in conjunction with the Council.

5.3.2.e **\$408,957.61 (Four Hundred Eight Thousand, Nine Hundred and Fifty Seven Dollars and Sixty-One Cents)** shall be allocated to augment the existing renewable and/or energy efficiency projects at schools (K-12) which also includes an educational program as part of the project. Continuous Recruitment #37 is currently being offered by the Office through the Rhode Island Division of Purchases. Applications will be accepted through March 1, 2014. This program was initiated in 2011 using RGGI funds. This additional funding will allow the Office to award more projects.

5.3.2.f **\$100,995.00 (One Hundred Thousand Nine hundred and Ninety Five Dollars)** shall be allocated to establish a working group to develop recommendations for grid distribution, rate and regulatory modernization for the electric sector in Rhode Island. Grid hardening, non-wires alternatives, smart grid and advanced metering infrastructure (AMI) technologies, time of use (TOW) pricing, and expanded capacity for distributed generation offer the potential to cheaply and sustainably manage demand and reduce the number and severity of power outages. Determining which cost-effective methods of grid modernization in Rhode Island might be implemented to improve system reliability is an important part of securing and reducing carbon emissions from the electric sector.

The working group will build on experience of other States and develop recommendations to show how grid distribution, rate and regulatory modernization could meet electric security and carbon reduction goals in a cost effective manner. The Office will administer the program in conjunction with the Utility and the Council.

5.3.2.g **\$500,000.00 (Five Hundred Thousand Dollars)** shall be used to design and implement a pilot program to evaluate opportunities and barriers for renewable thermal technologies in Rhode Island. Technologies considered will include highly efficient pumps (ground, air and water source heat pumps), solar hot water, and clean burning biomass boilers, chips and pellets. The program design will identify target participant groups, preference will be given to customers using electric heat. The program will include evaluation, measurement, and verification to help ground-truth and compare field performance of technologies, understand patterns of customer satisfaction, and track energy and cost savings.

The pilot will draw on best practices from other neighboring states' thermal demonstration projects, programs and initiatives. The pilot will complement elements of National grid's 2014 Energy Efficiency Program Plan focusing on the evaluation of the viability, suitability, and deployment of advanced heat pump technologies in Rhode Island. Program design and implementation will be carried out by the Office in coordination with the Utility, the Renewable Energy Fund and the Council.

5.4 Tracking and Reporting

5.4.1 The Utility shall prepare a quarterly report for programs described in sections, 5.3.2.a and 5.3.2.c, which shall include a detailed description of the: (1) program; (2) project costs; and (3) program benefits including energy savings if applicable.

5.5.2 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 the Office.

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. This

report shall include a detailed description of the: (1) program; (2) project costs; and (3) program benefits including energy savings if applicable.