



Proposed 2016-B Allocation Plan – Distribution of Regional Greenhouse Gas Initiative Proceeds Response to Comments

Introduction

On July 15, 2016, 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 “2016-B Allocation Plan - Distribution of Regional Greenhouse Gas Initiative Auction Proceeds” (the Plan). The notice stated that a public hearing would be held on August 15, 2016 at 10:00 A.M. in Conference Room B, Second Floor, One Capitol Hill, Providence, Rhode Island. Copies of the proposed Plan were made available at OER’s offices; on OER’s website 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 OER at One Capitol Hill, Providence, Rhode Island.

The public hearing was held on August 15, 2016 at 10:00 A.M. at the location set forth in the public notice. A member of the general public was present along with an OER representative. 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. The public comment period closed on August 25, 2016.

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 nine 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 August 15, 2016. No oral testimony was presented.

Written Comments

The following comments were received from National Grid in a letter dated August 15, 2016, followed by OER’s response:

Comment: In reference to Section 5.3.2.a, National Grid “is concerned that the total allocation of RGGI funds for the support of the 2017 programs falls short of what was anticipated in the Company’s 2015-2017 Energy Efficiency and System Reliability Procurement Plan (Docket No. 4522).” National Grid also states, “Without the additional \$3,491,369 in funding, the Company

will have to increase the Energy Efficiency Program Charge by approximately \$0.0005.” Furthermore, National Grid “requests a commitment by the OER to provide the additional anticipated \$3.49 million in funds from the remaining 2016 RGGI auctions.”

Response: OER notes that the proposed 2017 Energy Efficiency Plan will reflect numerous variables and programmatic initiatives designed to meet the state’s least cost procurement mandate, of which the proposed RGGI allocation is just one component. It is important to recognize that, since the state’s 2012 Allocation Plan, nearly 80 percent of net RGGI auction proceeds have been allocated to support energy efficiency programs and initiatives that have a direct or indirect impact on achievement of the utility’s energy efficiency targets, and leverage ratepayer dollars wherever possible. These include direct investments in annual energy efficiency offerings that service all customer segments, as well as significant investments in public sector energy efficiency and delivered fuels weatherization. OER looks forward to participating in further discussions regarding the 2017 Energy Efficiency Plan, and will continue to work with its partners to advance Rhode Island as a national leader in efficiency.

The following comments were received from Christopher Powell, EERMC Chair, in a letter dated August 25, 2016, followed by OER’s response:

Comment: The EERMC states, “...when taken as a whole, the 2016-A and 2016-B Plans provide a broad portfolio of offerings that effectively address many critical energy issues and markets in Rhode Island.” Furthermore, “...the EERMC finds the 2016-B Plan, especially when combined with the 2016-A Plan, to be consistent with previous allocations in its design and objective to provide cost-effective support for energy efficiency implementation and support of associated planning and policy, as well as support to renewables.” Additionally, the EERMC notes:

“Although 2016-A was weighted toward state-owned buildings, 2016-B balances out the annual portfolio with funding for the broad services to be provided through the 2017 Energy Efficiency Program Plan (EEPP) currently being developed to be implemented by National Grid, and for municipal and quasi-governmental projects, through the Rhode Island Infrastructure Bank (RIIB) via the Efficient Buildings Fund (EBF).”

“Support for the 2017 EEPP was provided, although the \$2 million allocation is appreciably lower than was developed in 2014. It is noted, however, that the ~\$6 million allocated to support the Lead by Example Initiatives and RIIBs EBF will indirectly provide significant support to achieving the 2017 savings goals that the 2017 EEPP will be designed to accomplish.”

“While 2016-A plan included funding for delivered fuels weatherization to go into the 2016 EEPP, the 2016-B plan does not include delivered fuels funding for the 2017 EEPP. For the last few years, some RGGI funds have been used to provide a portion of the funds offered for this service. However, it was understood that the Office of Energy Resources’ (OER) position was clearly communicated that such funding was only temporary to fill the gap for an interim basis, which it did for a period of three years.”

Response: No action is required.

Decision

It is the decision of the Office of Energy Resources to approve the 2016-B Allocation Plan as drafted. The Plan and all public comments received are appended to this Decision.

9/20/16
Date:


Carol Grant, Commissioner
Office of Energy Resources

Copies of Decision to:

Courtney Lane
National Grid
40 Sylvan Road
Waltham, MA 02451

Christopher Powell, Chair, EERMC



August 15, 2016

Rhode Island Department of Administration
Office of Energy Resources
One Capitol Hill
Providence, RI 02908

Re: Proposed 2016-B Plan for the Allocation and Distribution of Regional Greenhouse Gas Initiative Auction Proceeds

Dear Sir or Madam:

Please find below comments from National Grid¹ to the Office of Energy Resources (OER) on the latter's Proposed 2016-B Plan for the Allocation and Distribution of Regional Greenhouse Gas Initiative Auction Proceeds. Each comment heading (eg. 5.1.1) refers to the section of the same name in the Proposed Plan. The Company appreciates the opportunity to provide comments on the Proposed Plan.

1) 5.3.2.a

National Grid appreciates and supports the allocation of \$2,009,452.33 in RGGI proceeds to support energy efficiency programs, incentives, financing, and/or other services delivered through the Company's programs. These funds will enable the Company to lower the funding requirement for the 2017 program year, which in turn lowers the Energy Efficiency Program Charge to electric customers in Rhode Island.

While the Company appreciates this allocation, it is concerned that the total allocation of RGGI funds for the support of the 2017 programs falls short of what was anticipated in the Company's 2015-2017 Energy Efficiency and System Reliability Procurement Plan (Docket No. 4522). In the 2015-2017 Plan, the settling parties agreed that \$5,500,822 in RGGI proceeds could be anticipated for contributing to 2017 energy efficiency program funding. The settling parties, which included the OER, agreed that this was a reasonable and conservative estimate based on recent allocations of RGGI proceeds.

Without the additional \$3,491,369 in funding, the Company will have to increase the Energy Efficiency Program Charge by approximately \$0.0005. This increase will be exacerbated as the Company receives additional requests to allocate 2017 energy efficiency funds to the Rhode Island Infrastructure Bank (RIIB) and oil weatherization. Representatives of the commercial

¹ The Narragansett Electric Company d/b/a National Grid (National Grid or the Company).

sector in Rhode Island have consistently conveyed concerns over the program charge and these upward pressures on funding will likely intensify their trepidation.

The Company wants to maintain or increase energy efficiency services to all customers and keep the charge reasonable. The Company is concerned that the combined effect of lower RGGI funds, the proposed ask by RIIB for \$5M in additional funding, and the approximate \$1 million needed for oil weatherization, will require the Company to cut energy efficiency services to customers in order to maintain a reasonable Energy Efficiency Program Charge. If the Company cuts its budget by the \$3.49 million it expected to receive from RGGI proceeds, it will result in a loss of 8,053 MWh savings; 81,624 MWh lifetime savings; and \$10.3 million in benefits to ratepayers.

As the Company prepares its filing for the 2017 Energy Efficiency Program Plan, it requests a commitment by the OER to provide the additional anticipated \$3.49 million in funds from the remaining 2016 RGGI auctions. With this commitment, the Company could plan its 2017 Energy Efficiency Program Charge with the additional funds, which would contribute to a reduction in the amount of funding required by customers.

The Company understands that the OER has many energy priorities and appreciates any additional support that could be provided to help ensure that Rhode Island's energy efficiency programs remain number one in the country and continue to provide upwards of \$391 million in benefits to Rhode Island electric and gas customers each year.



STATE OF RHODE ISLAND
**ENERGY EFFICIENCY &
RESOURCE MANAGEMENT COUNCIL**

August 12, 2016

Carol Grant
Rhode Island Office of Energy Resources
One Capitol Hill, 4th Floor
Providence, RI 02908

Dear Commissioner Grant,

The Energy Efficiency and Resource Management Council (EERMC) reviewed and discussed the 2016-B Regional Greenhouse Gas Initiative (RGGI) Allocation Plan at the August 11 council meeting. The EERMC provides these written comments based on those discussions, which were also informed by the high level preview you provided at the July council meeting.

The EERMC offers that when taken as a whole, the 2016-A and 2016-B Plans provide a broad portfolio of offerings that effectively address many critical energy issues and markets in Rhode Island. Additional comments include:

- Although 2016-A was weighted toward state-owned buildings, 2016-B balances out the annual portfolio with funding for the broad services to be provided through the 2017 Energy Efficiency Program Plan (EEPP) currently being developed to be implemented by National Grid, and for municipal and quasi-governmental projects through the Rhode Island Infrastructure Bank (RIIB) via the Efficient Buildings Fund (EBF).
- Support for the 2017 EEPP was provided, although the \$2 million allocation is appreciably lower than the anticipated \$5.5 million that was estimated for 2017 when the 3-Year Plan (2015-2017) was developed in 2014. It is noted, however, that the ~\$6 million allocated to support the Lead by Example initiatives and RIIB's EBF will indirectly provide significant support to achieving the 2017 savings goals that the 2017 EEPP will be designed to accomplish.
- While 2016-A plan included funding for delivered fuels weatherization to go into the 2016 EEPP, the 2016-B plan does not include delivered fuels funding for the 2017 EEPP. For the last few years, some RGGI funds have been used to provide a portion of the funds offered for this service. However, it was understood that the Office of Energy Resources' (OER) position was clearly communicated that such funding was only temporary to fill the gap for an interim basis, which it did for a period of three years. For 2017, we understand that the Collaborative is exploring other funding options to continue providing this service through the 2017 EEPP. However, the EERMC did request that OER should monitor the effectiveness and scale of funding that serves this significant portion of RI housing and businesses. And further, that if future developments indicated a need for additional funding is needed, that the OER would once again evaluate using RGGI funds as a potential energy efficiency budget supplement for buildings heated with delivered fuels in future years.

Generally, the EERMC finds the 2016-B Plan, especially when combined with the 2016-A Plan, to be consistent with previous allocations in its design and objective to provide cost-effective support for energy efficiency implementation and support of associated planning and policy, as well as support to renewables.

Respectfully submitted on behalf of the EERMC,



8/25/16

Christopher Powell, EERMC Chair

Date