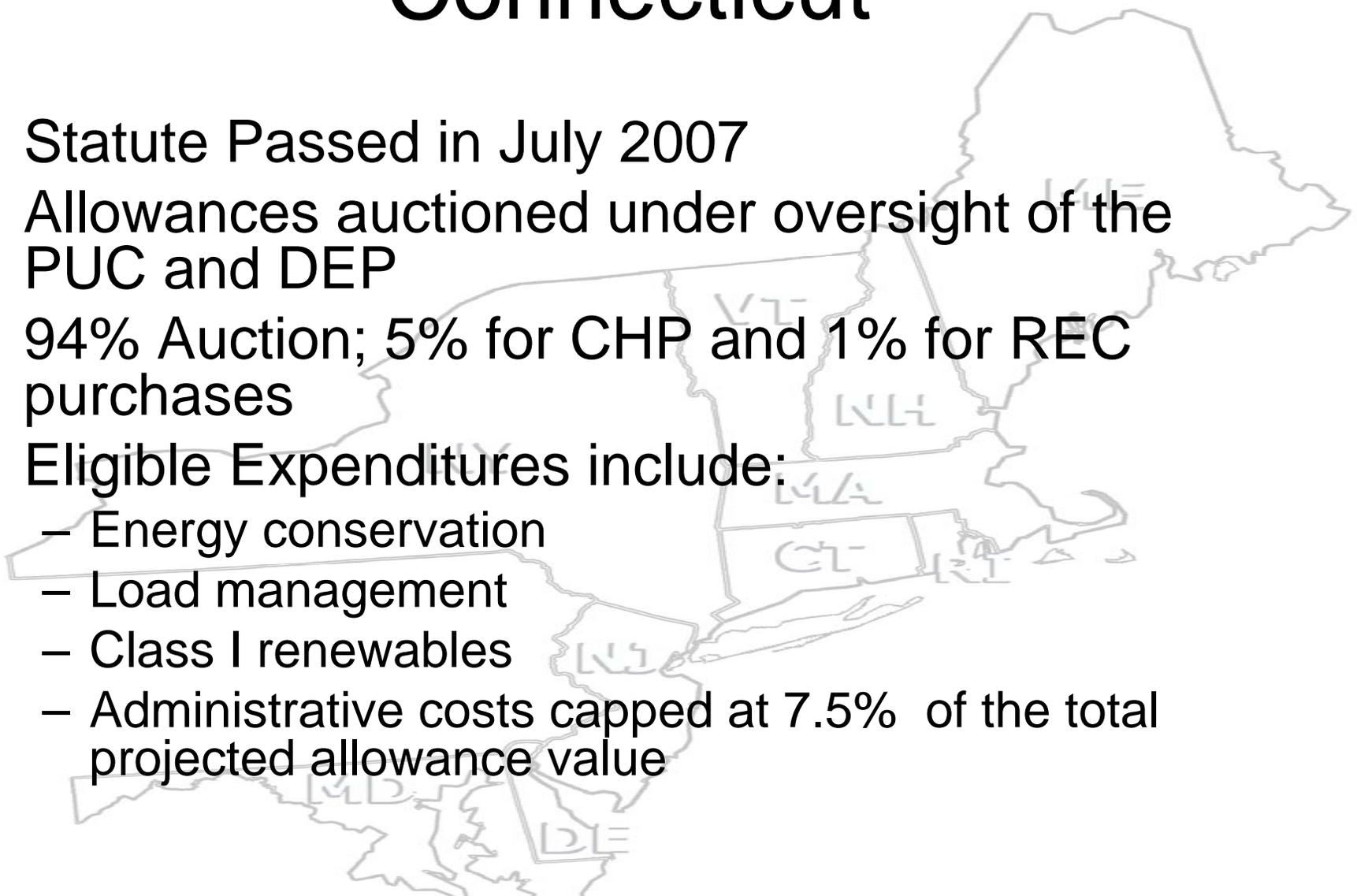


Regional Greenhouse Gas Initiative (RGGI)

State Plans for Auction and Revenue Distribution

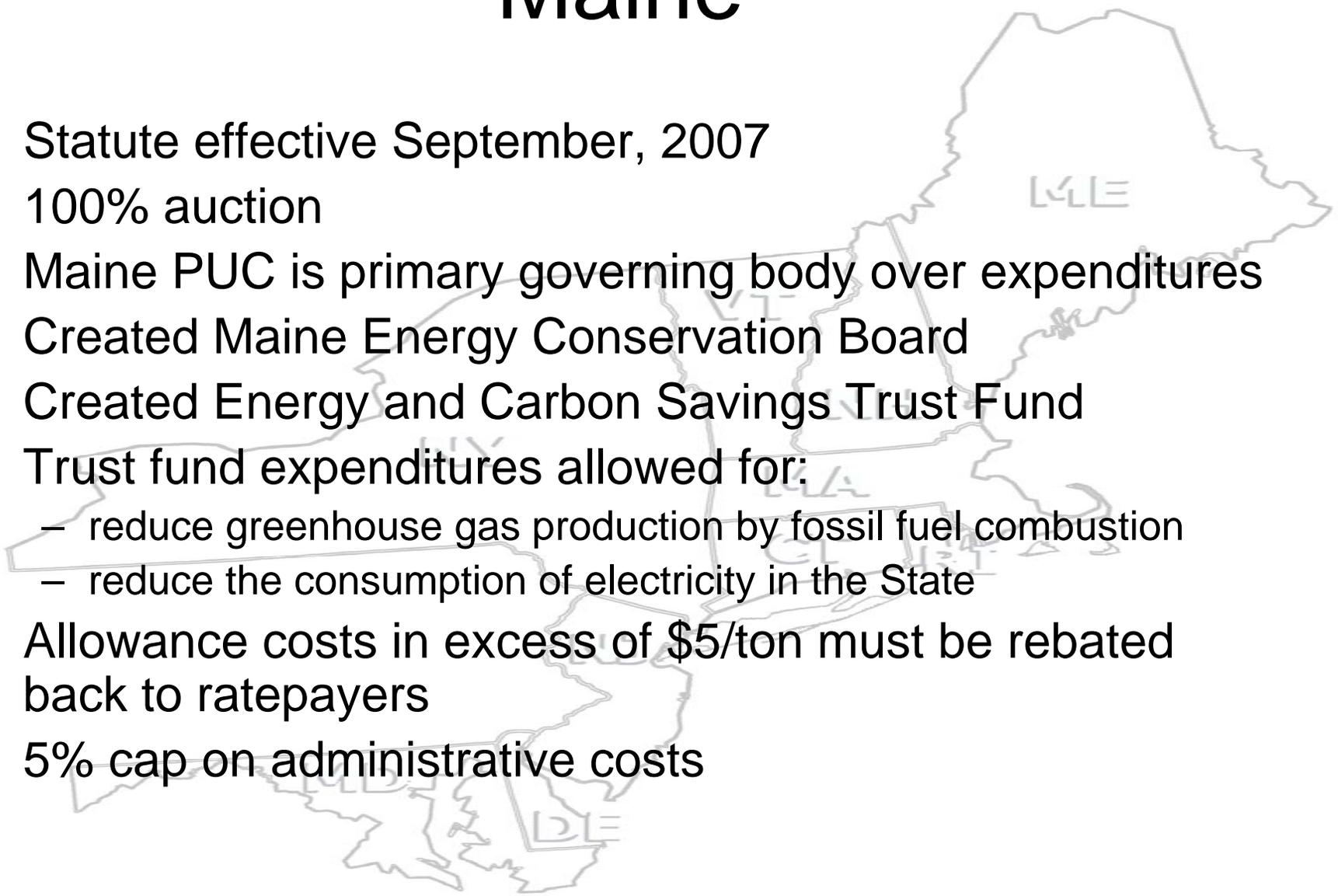
Delaware SCR 28 Workgroup
October 25, 2007

Connecticut



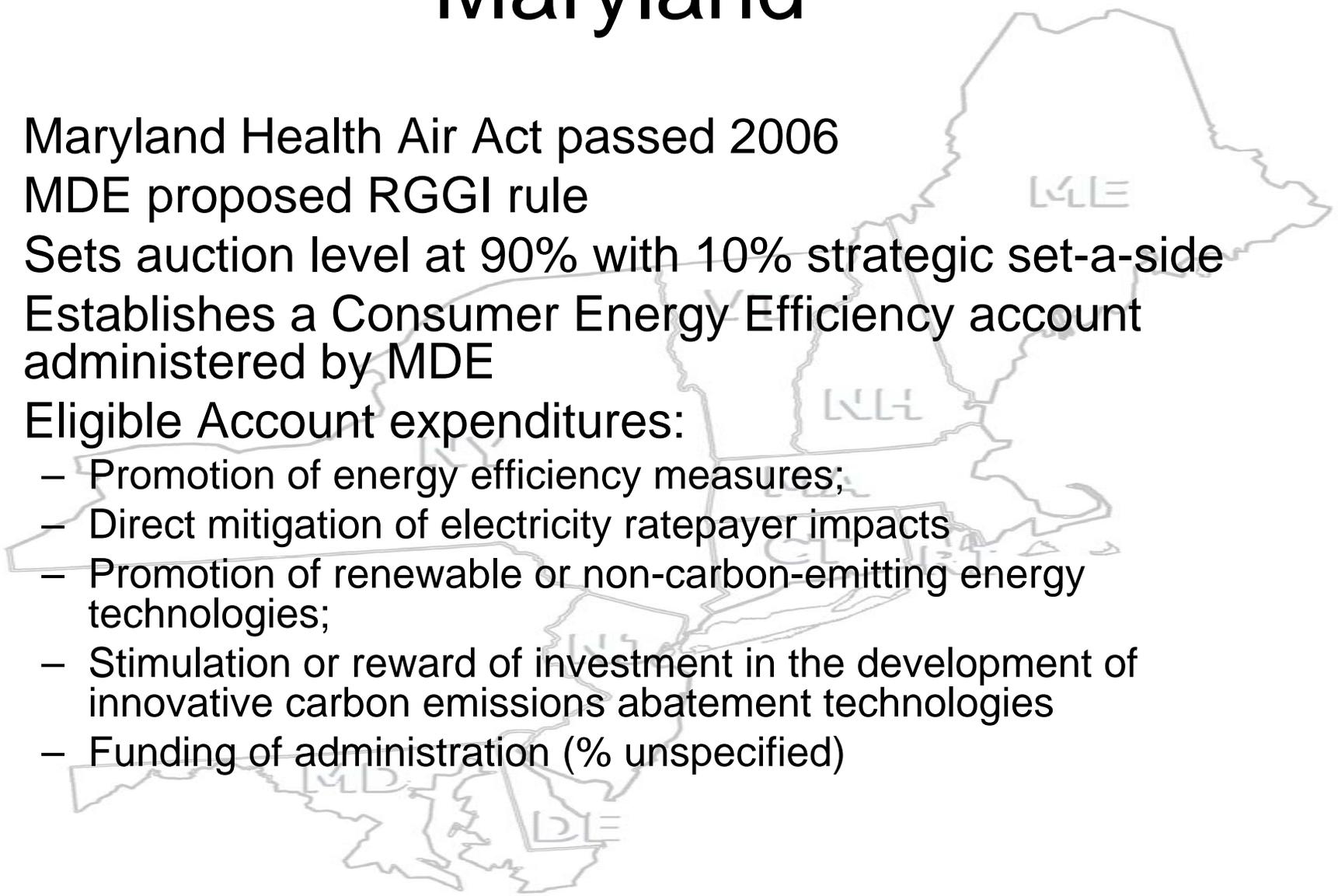
- Statute Passed in July 2007
- Allowances auctioned under oversight of the PUC and DEP
- 94% Auction; 5% for CHP and 1% for REC purchases
- Eligible Expenditures include:
 - Energy conservation
 - Load management
 - Class I renewables
 - Administrative costs capped at 7.5% of the total projected allowance value

Maine



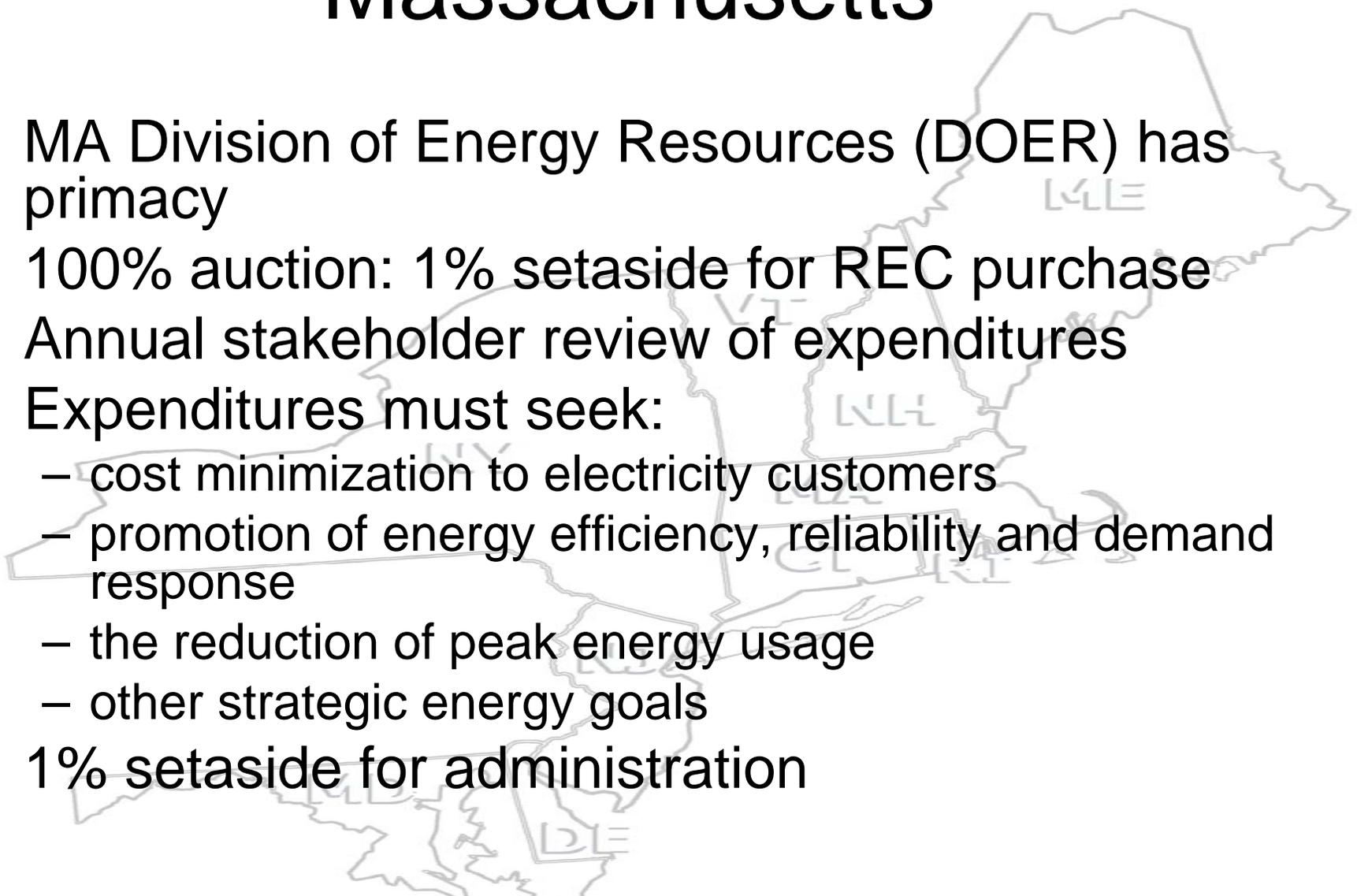
- Statute effective September, 2007
- 100% auction
- Maine PUC is primary governing body over expenditures
- Created Maine Energy Conservation Board
- Created Energy and Carbon Savings Trust Fund
- Trust fund expenditures allowed for:
 - reduce greenhouse gas production by fossil fuel combustion
 - reduce the consumption of electricity in the State
- Allowance costs in excess of \$5/ton must be rebated back to ratepayers
- 5% cap on administrative costs

Maryland



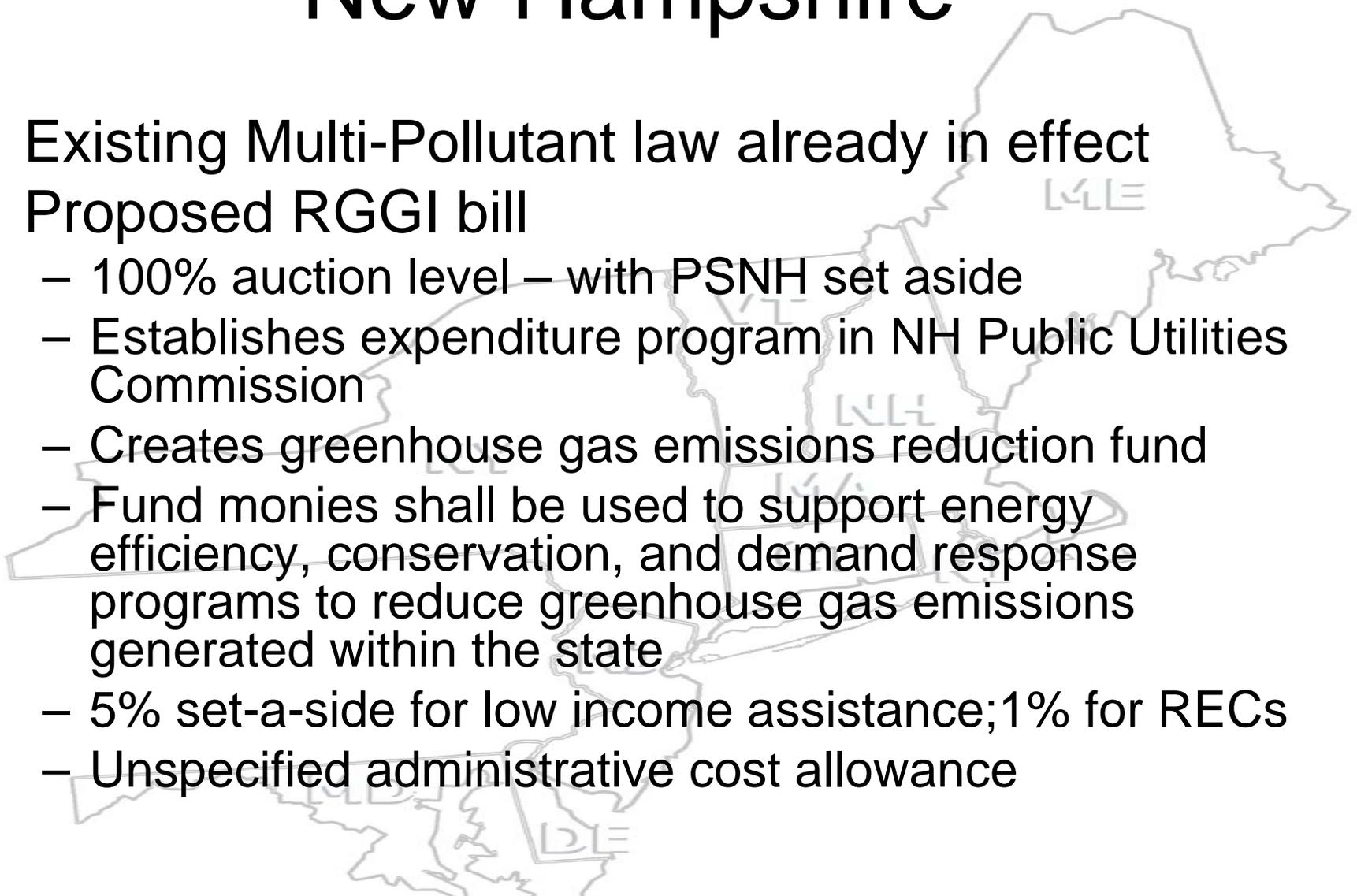
- Maryland Health Air Act passed 2006
- MDE proposed RGGI rule
- Sets auction level at 90% with 10% strategic set-a-side
- Establishes a Consumer Energy Efficiency account administered by MDE
- Eligible Account expenditures:
 - Promotion of energy efficiency measures;
 - Direct mitigation of electricity ratepayer impacts
 - Promotion of renewable or non-carbon-emitting energy technologies;
 - Stimulation or reward of investment in the development of innovative carbon emissions abatement technologies
 - Funding of administration (% unspecified)

Massachusetts



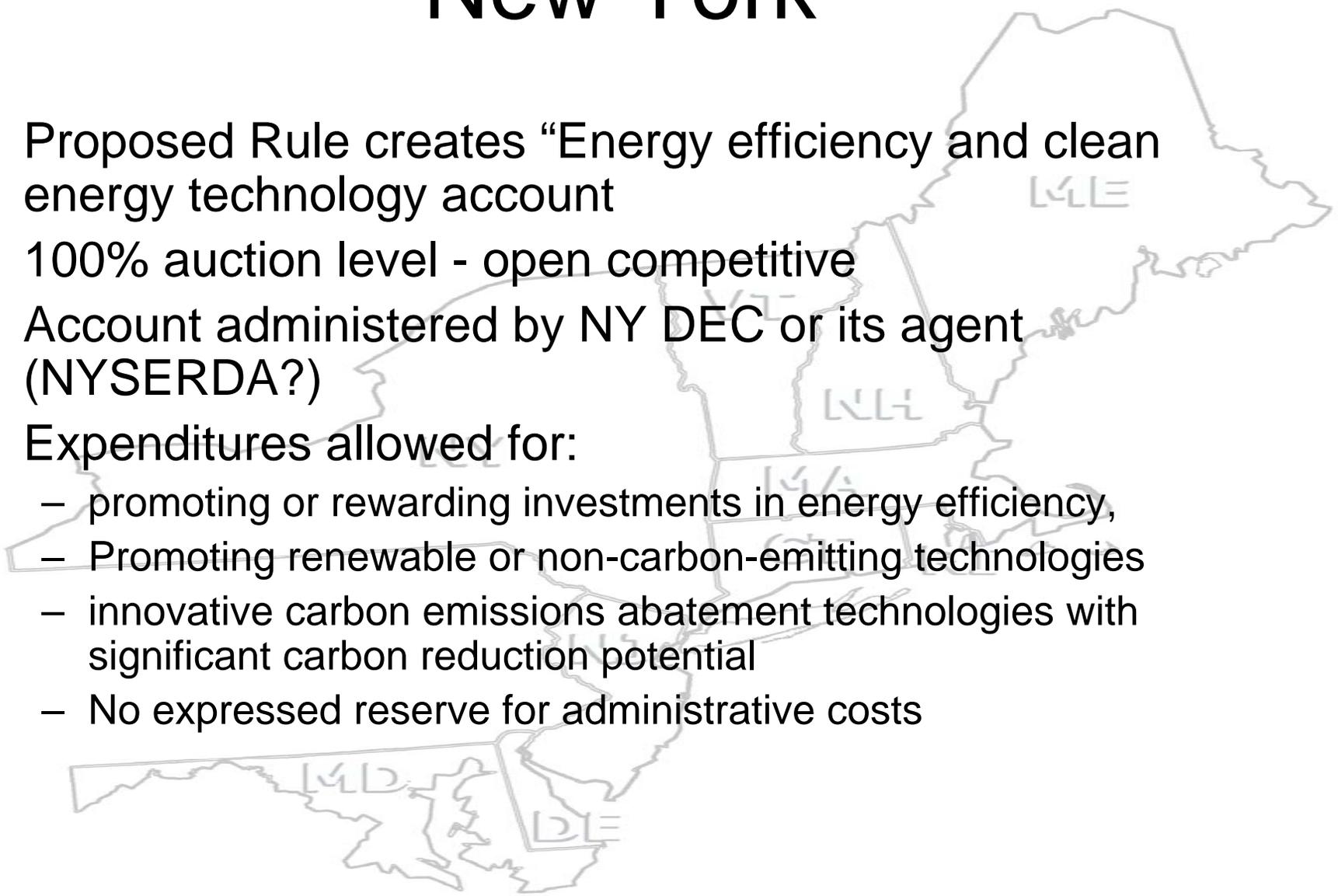
- MA Division of Energy Resources (DOER) has primacy
- 100% auction: 1% setaside for REC purchase
- Annual stakeholder review of expenditures
- Expenditures must seek:
 - cost minimization to electricity customers
 - promotion of energy efficiency, reliability and demand response
 - the reduction of peak energy usage
 - other strategic energy goals
- 1% setaside for administration

New Hampshire



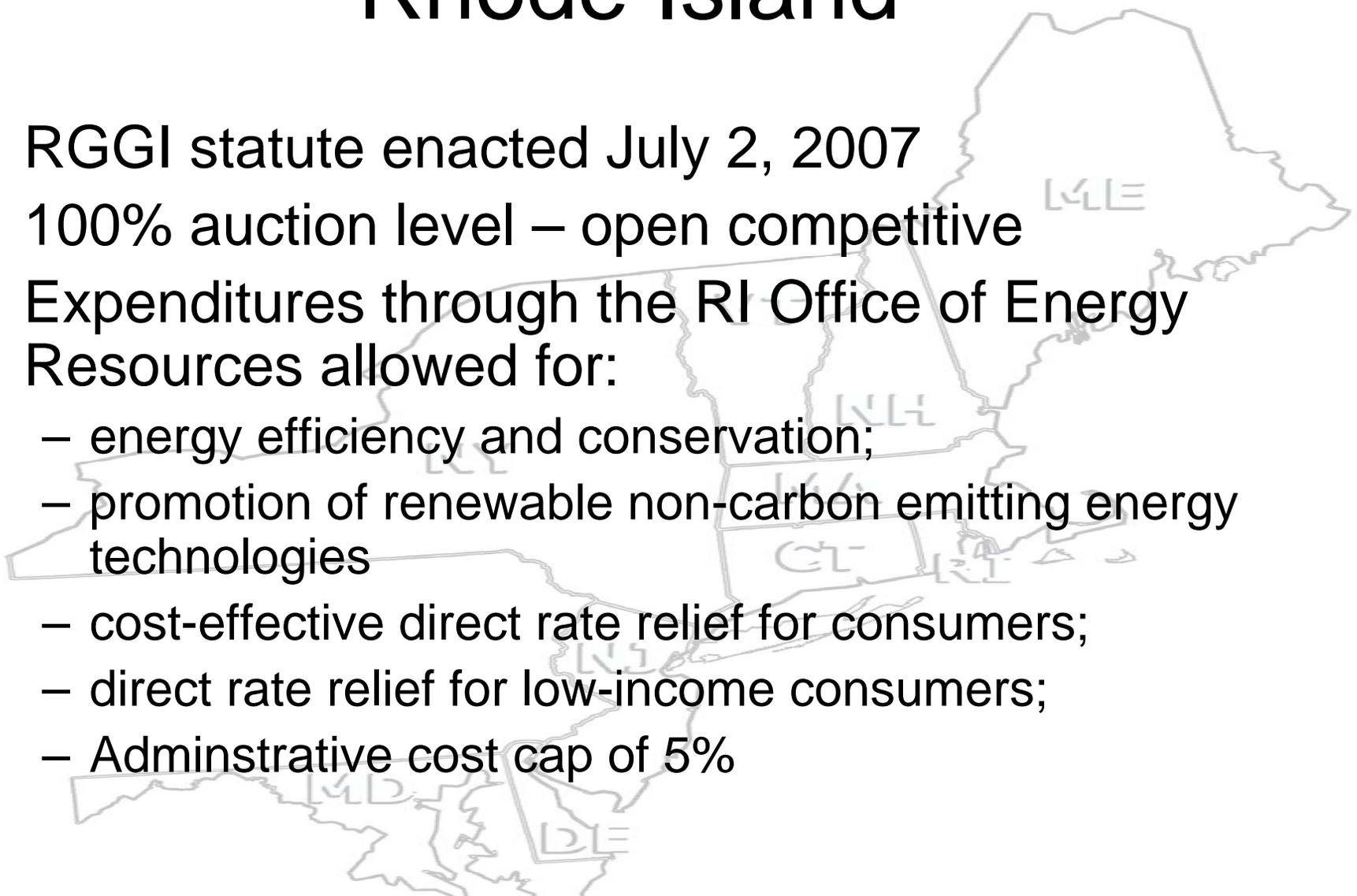
- Existing Multi-Pollutant law already in effect
- Proposed RGGI bill
 - 100% auction level – with PSNH set aside
 - Establishes expenditure program in NH Public Utilities Commission
 - Creates greenhouse gas emissions reduction fund
 - Fund monies shall be used to support energy efficiency, conservation, and demand response programs to reduce greenhouse gas emissions generated within the state
 - 5% set-a-side for low income assistance; 1% for RECs
 - Unspecified administrative cost allowance

New York



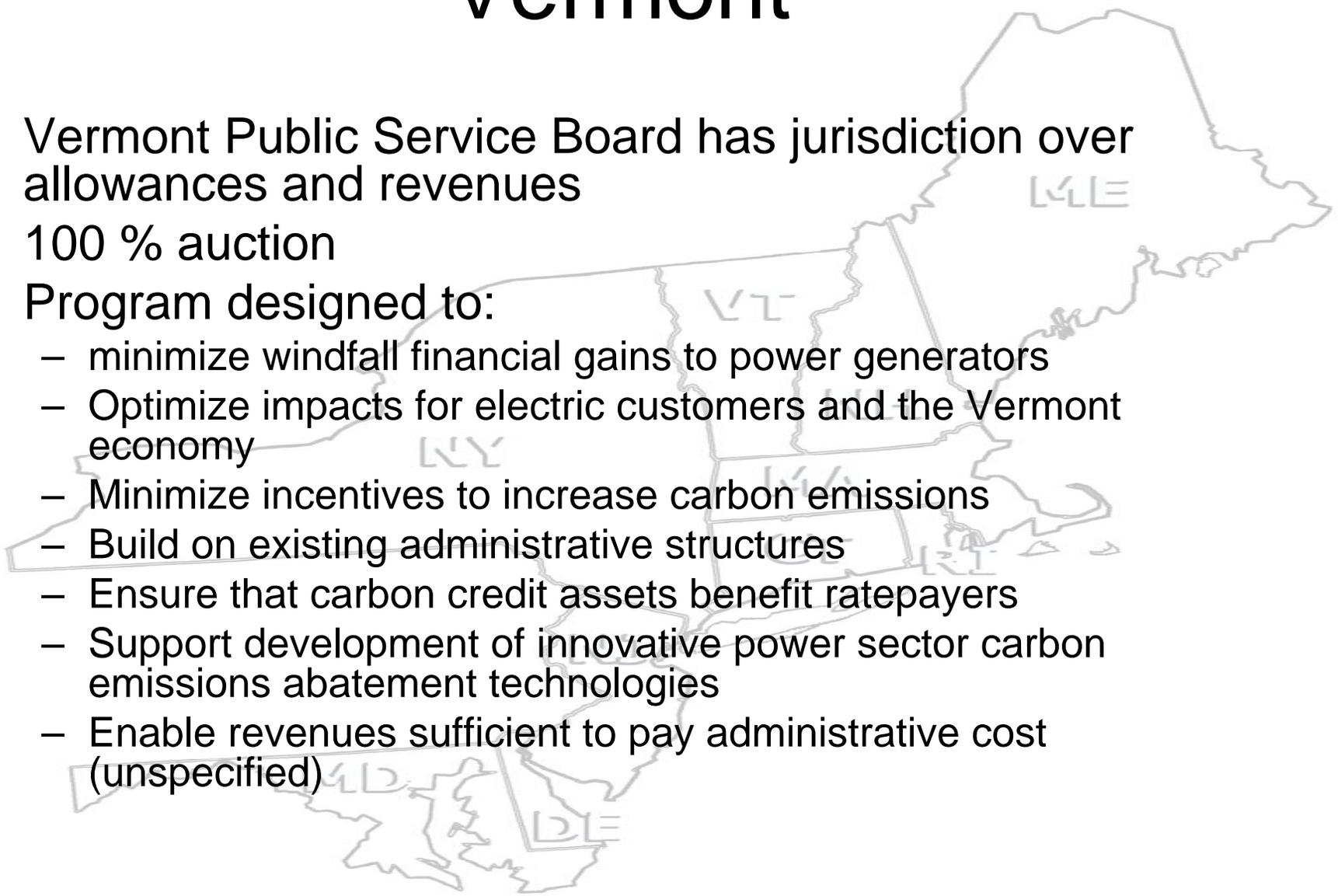
- Proposed Rule creates “Energy efficiency and clean energy technology account
- 100% auction level - open competitive
- Account administered by NY DEC or its agent (NYSERDA?)
- Expenditures allowed for:
 - promoting or rewarding investments in energy efficiency,
 - Promoting renewable or non-carbon-emitting technologies
 - innovative carbon emissions abatement technologies with significant carbon reduction potential
 - No expressed reserve for administrative costs

Rhode Island



- RGGI statute enacted July 2, 2007
- 100% auction level – open competitive
- Expenditures through the RI Office of Energy Resources allowed for:
 - energy efficiency and conservation;
 - promotion of renewable non-carbon emitting energy technologies
 - cost-effective direct rate relief for consumers;
 - direct rate relief for low-income consumers;
 - Administrative cost cap of 5%

Vermont

- Vermont Public Service Board has jurisdiction over allowances and revenues
 - 100 % auction
 - Program designed to:
 - minimize windfall financial gains to power generators
 - Optimize impacts for electric customers and the Vermont economy
 - Minimize incentives to increase carbon emissions
 - Build on existing administrative structures
 - Ensure that carbon credit assets benefit ratepayers
 - Support development of innovative power sector carbon emissions abatement technologies
 - Enable revenues sufficient to pay administrative cost (unspecified)
- 

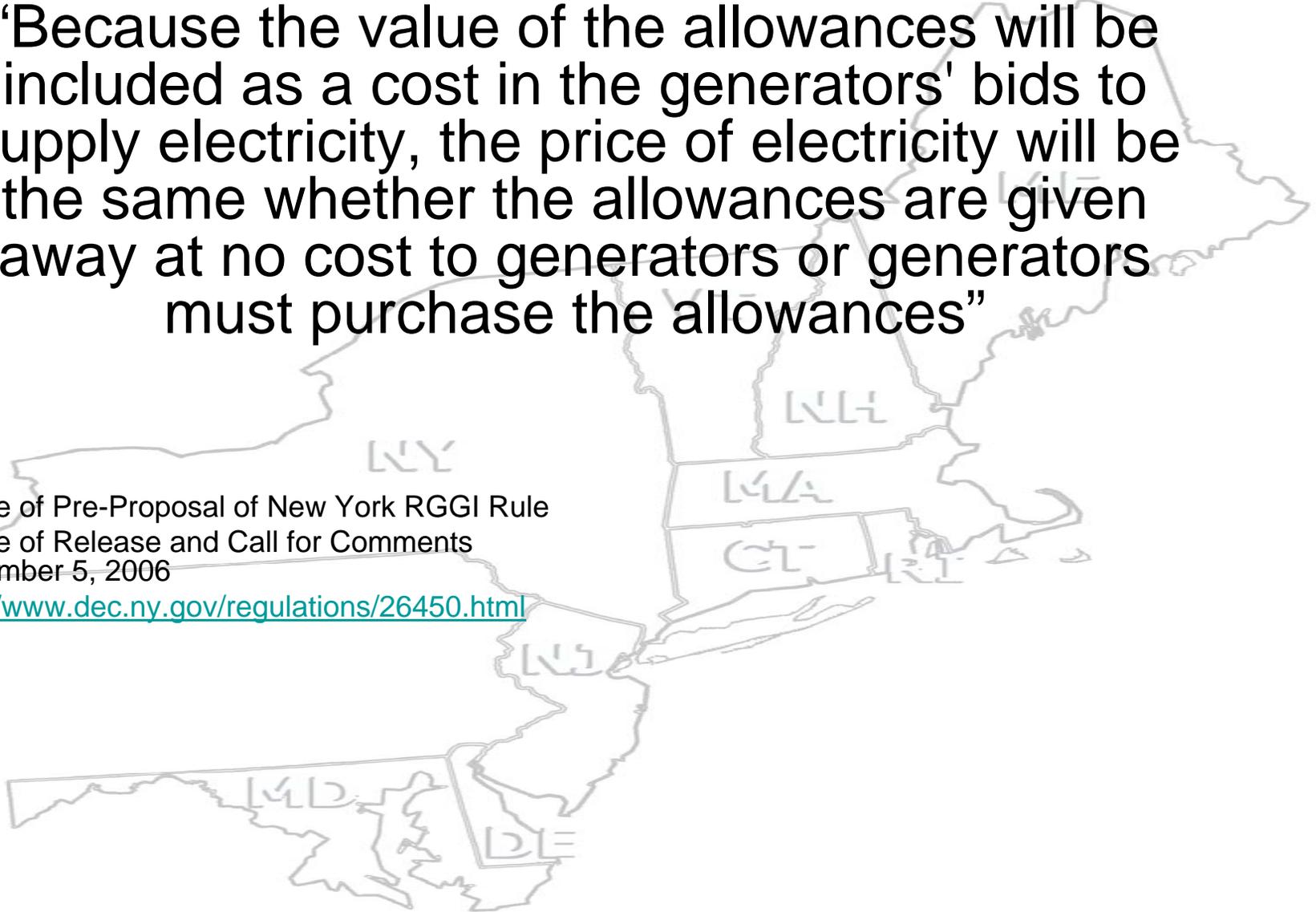
Regional Greenhouse Gas Economy

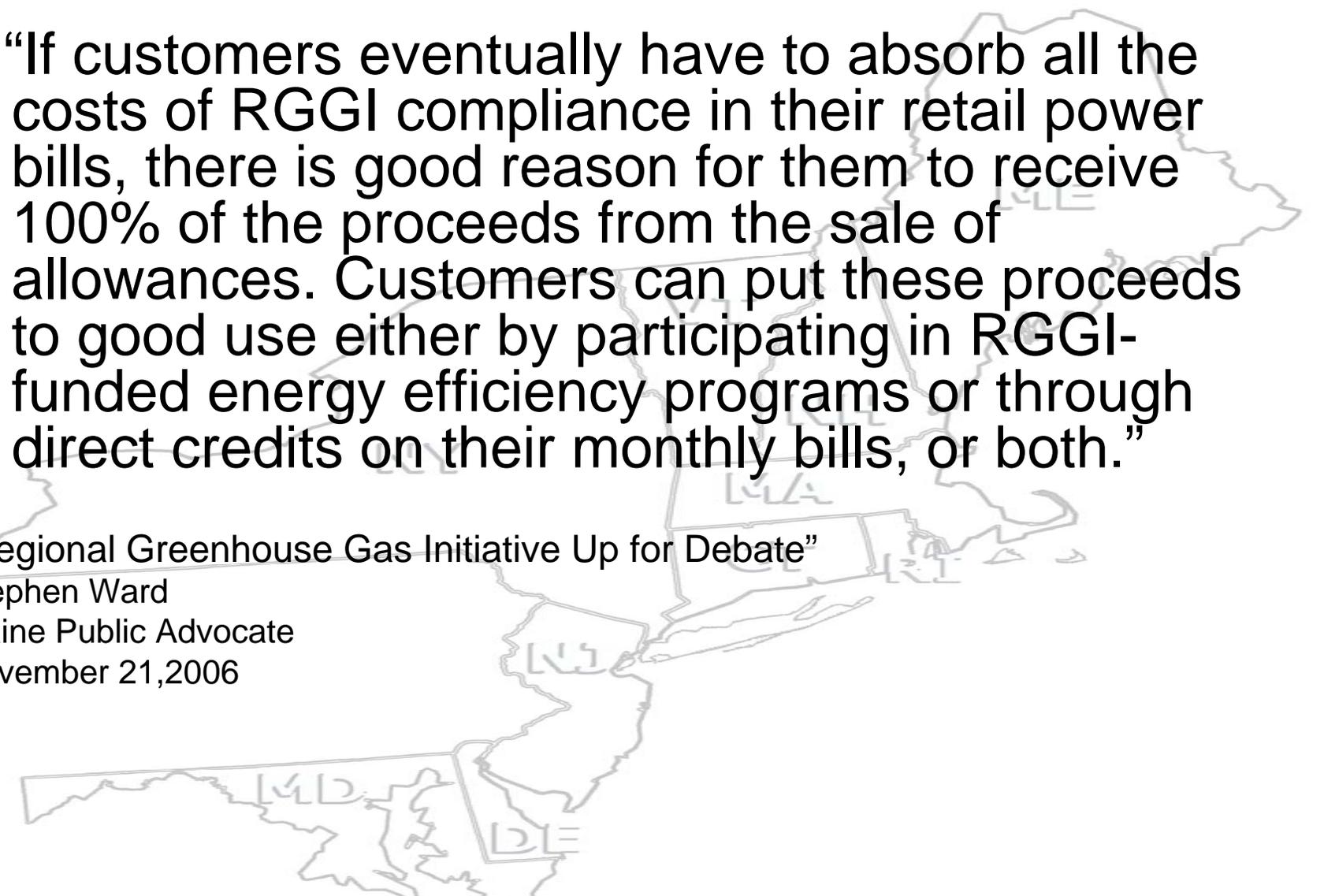


“Because the value of the allowances will be included as a cost in the generators' bids to supply electricity, the price of electricity will be the same whether the allowances are given away at no cost to generators or generators must purchase the allowances”

Notice of Pre-Proposal of New York RGGI Rule
Notice of Release and Call for Comments
December 5, 2006

<http://www.dec.ny.gov/regulations/26450.html>





“If customers eventually have to absorb all the costs of RGGI compliance in their retail power bills, there is good reason for them to receive 100% of the proceeds from the sale of allowances. Customers can put these proceeds to good use either by participating in RGGI-funded energy efficiency programs or through direct credits on their monthly bills, or both.”

“Regional Greenhouse Gas Initiative Up for Debate”

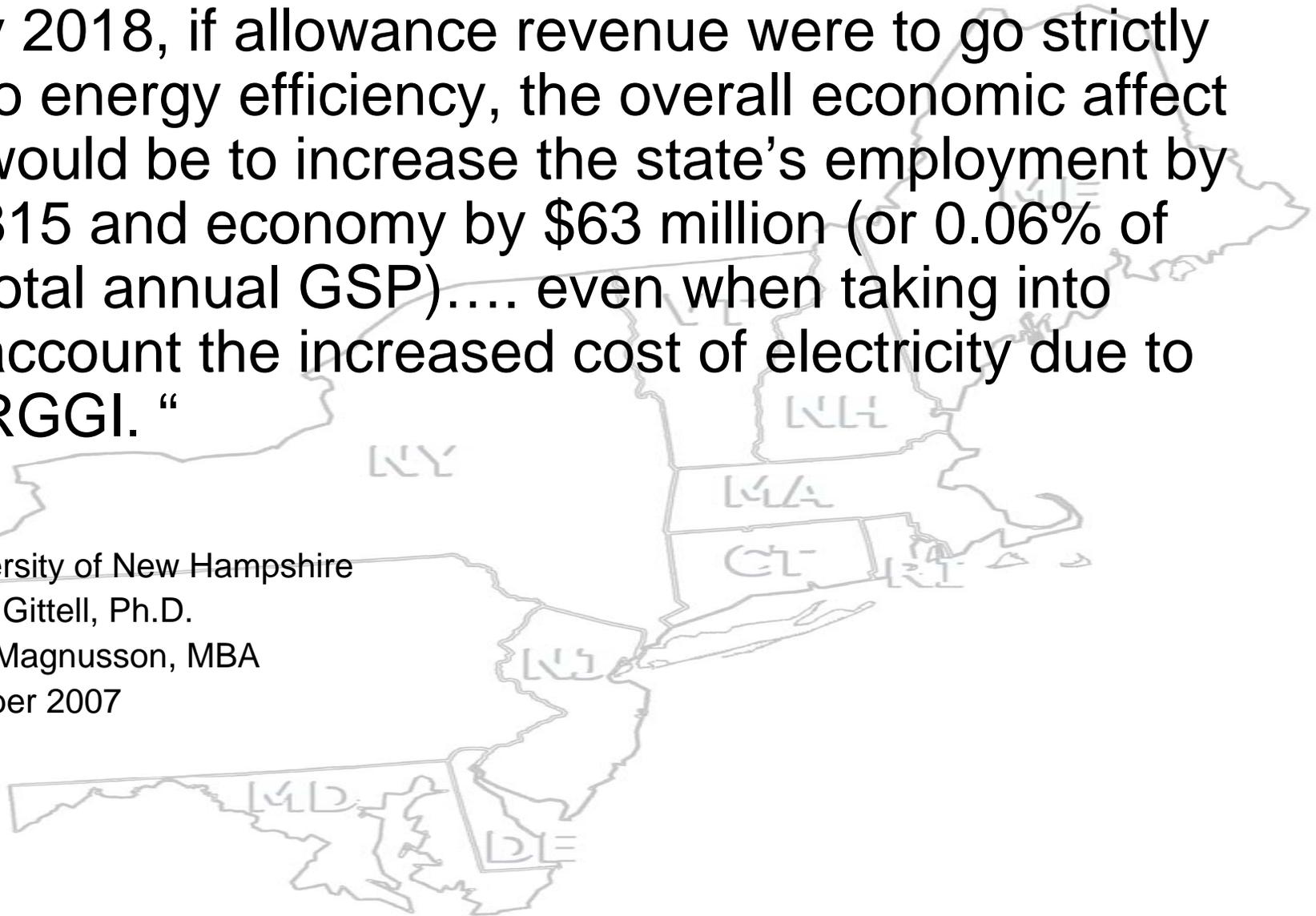
Stephen Ward

Maine Public Advocate

November 21, 2006

“By 2018, if allowance revenue were to go strictly to energy efficiency, the overall economic affect would be to increase the state’s employment by 815 and economy by \$63 million (or 0.06% of total annual GSP).... even when taking into account the increased cost of electricity due to RGGI. “

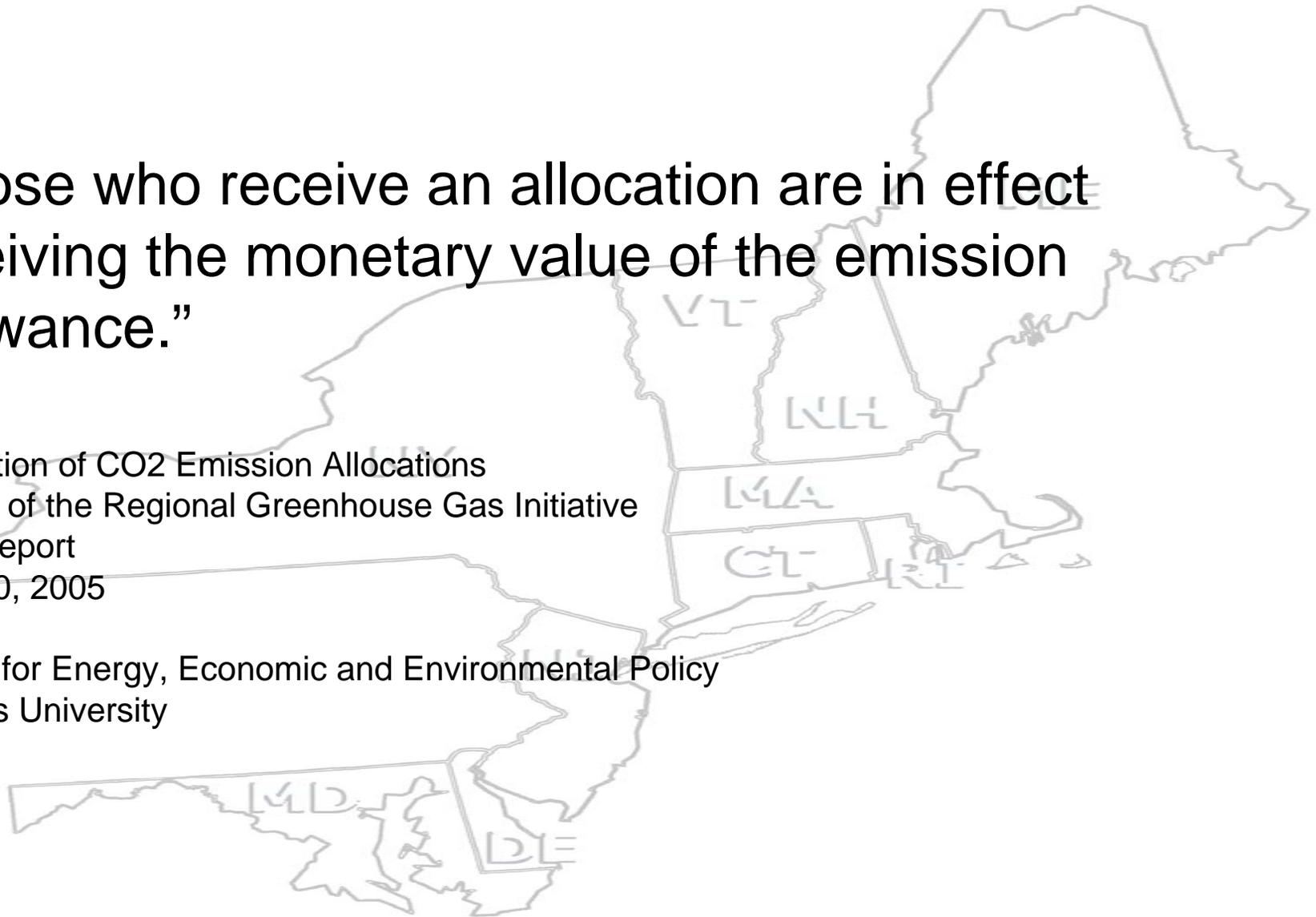
University of New Hampshire
Ross Gittell, Ph.D.
Matt Magnusson, MBA
October 2007

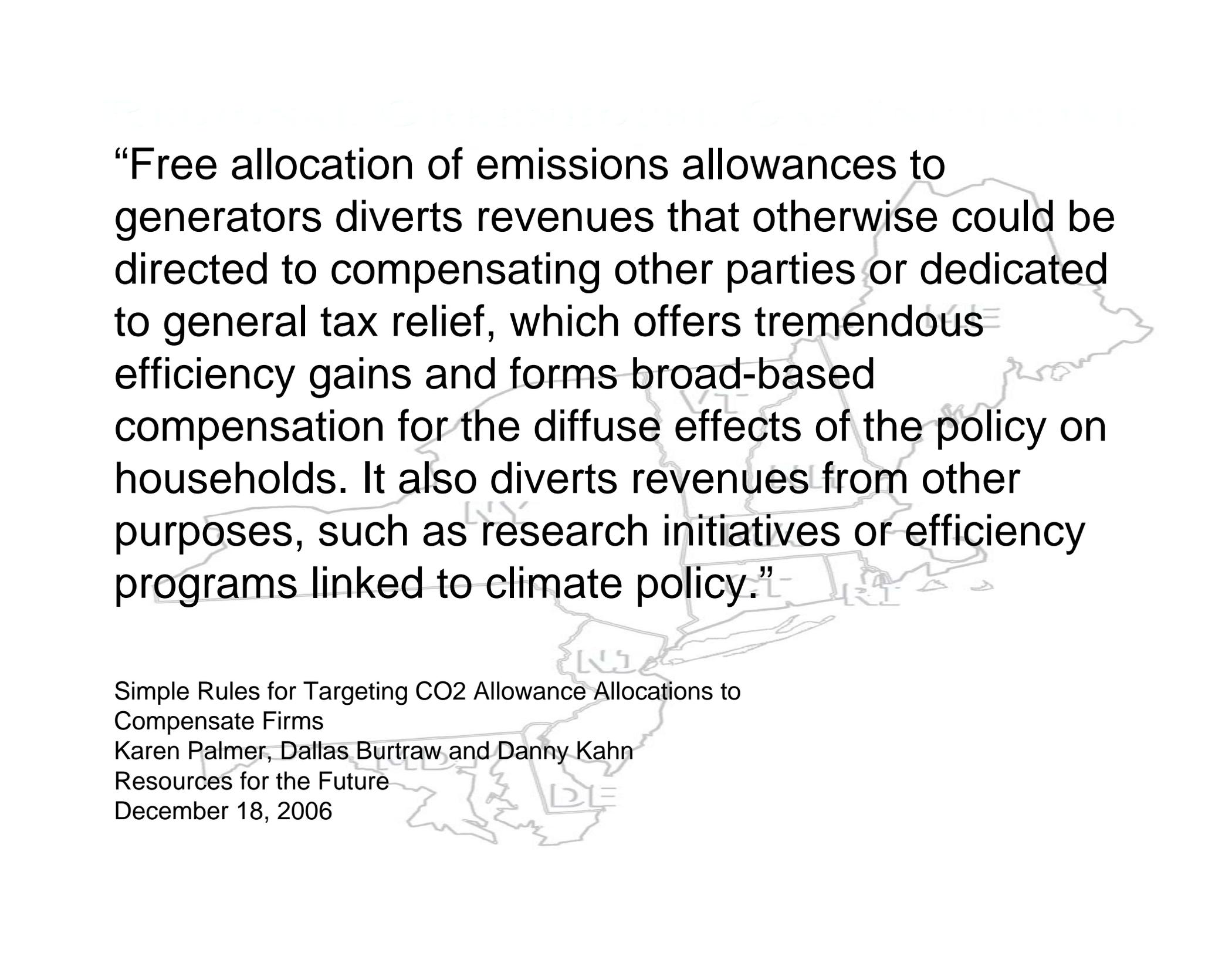


“Those who receive an allocation are in effect receiving the monetary value of the emission allowance.”

Evaluation of CO2 Emission Allocations
as Part of the Regional Greenhouse Gas Initiative
Final Report
June 30, 2005

Center for Energy, Economic and Environmental Policy
Rutgers University





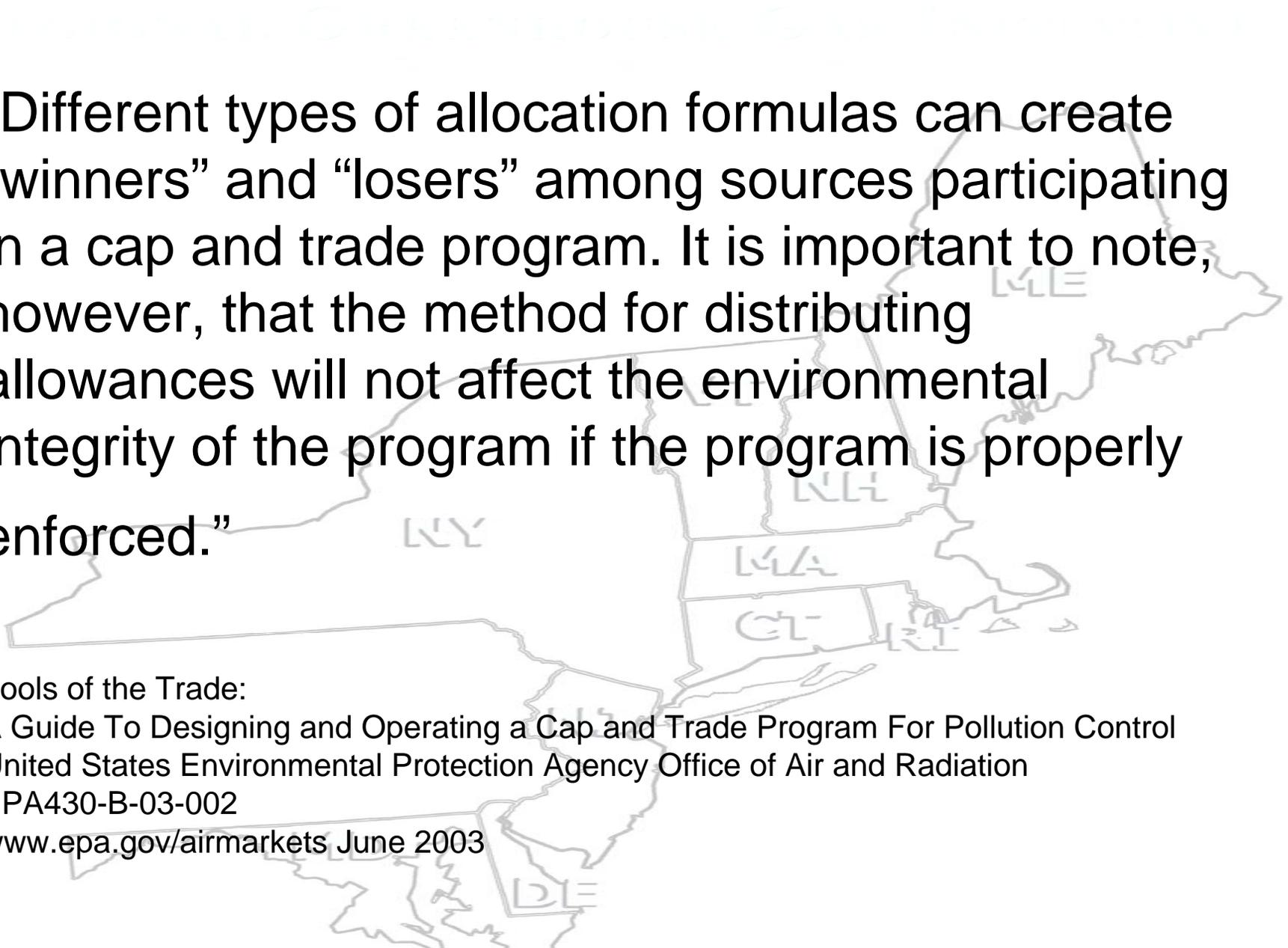
“Free allocation of emissions allowances to generators diverts revenues that otherwise could be directed to compensating other parties or dedicated to general tax relief, which offers tremendous efficiency gains and forms broad-based compensation for the diffuse effects of the policy on households. It also diverts revenues from other purposes, such as research initiatives or efficiency programs linked to climate policy.”

Simple Rules for Targeting CO₂ Allowance Allocations to
Compensate Firms

Karen Palmer, Dallas Burtraw and Danny Kahn

Resources for the Future

December 18, 2006



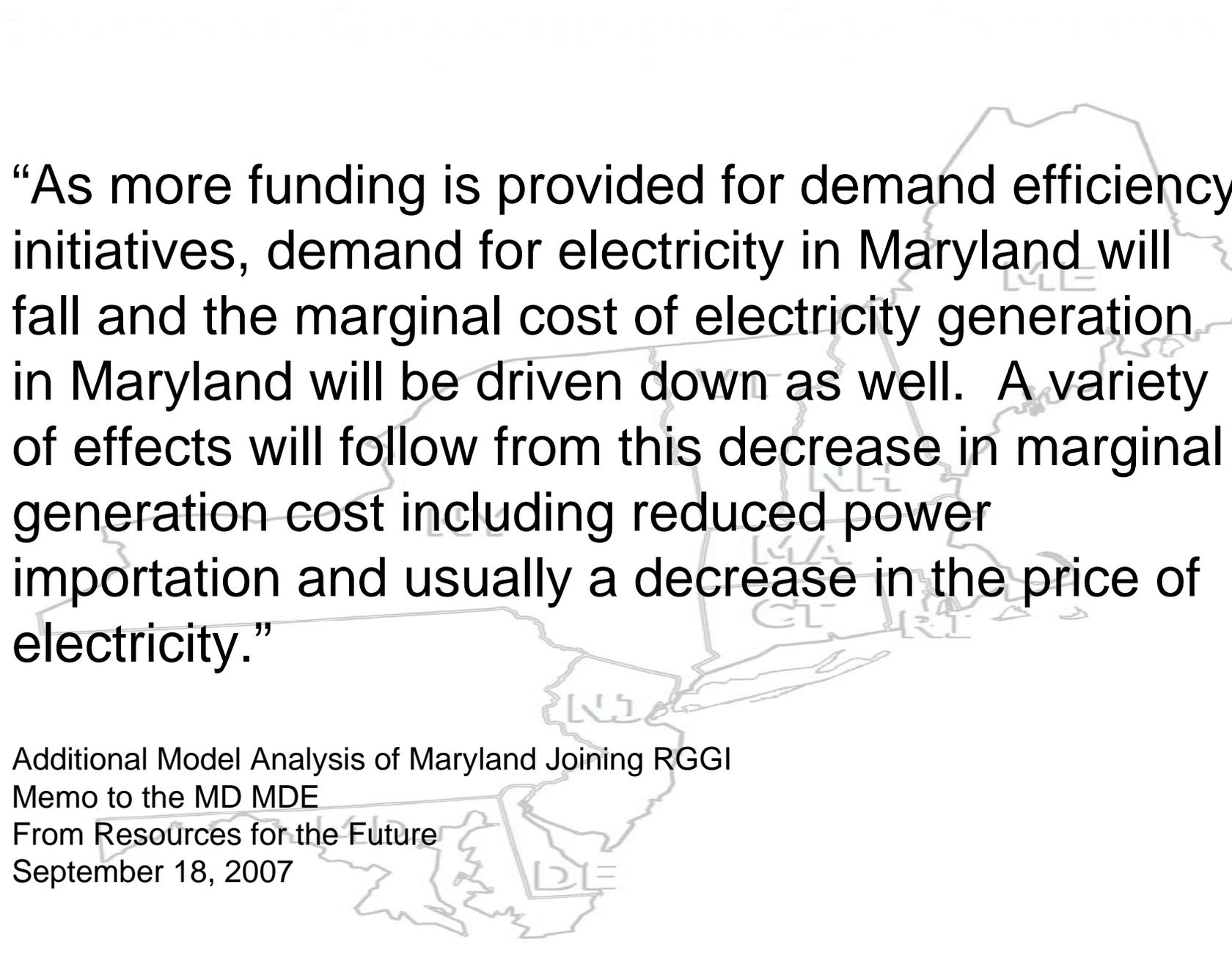
“Different types of allocation formulas can create “winners” and “losers” among sources participating in a cap and trade program. It is important to note, however, that the method for distributing allowances will not affect the environmental integrity of the program if the program is properly enforced.”

Tools of the Trade:

A Guide To Designing and Operating a Cap and Trade Program For Pollution Control
United States Environmental Protection Agency Office of Air and Radiation

EPA430-B-03-002

www.epa.gov/airmarkets June 2003



“As more funding is provided for demand efficiency initiatives, demand for electricity in Maryland will fall and the marginal cost of electricity generation in Maryland will be driven down as well. A variety of effects will follow from this decrease in marginal generation cost including reduced power importation and usually a decrease in the price of electricity.”

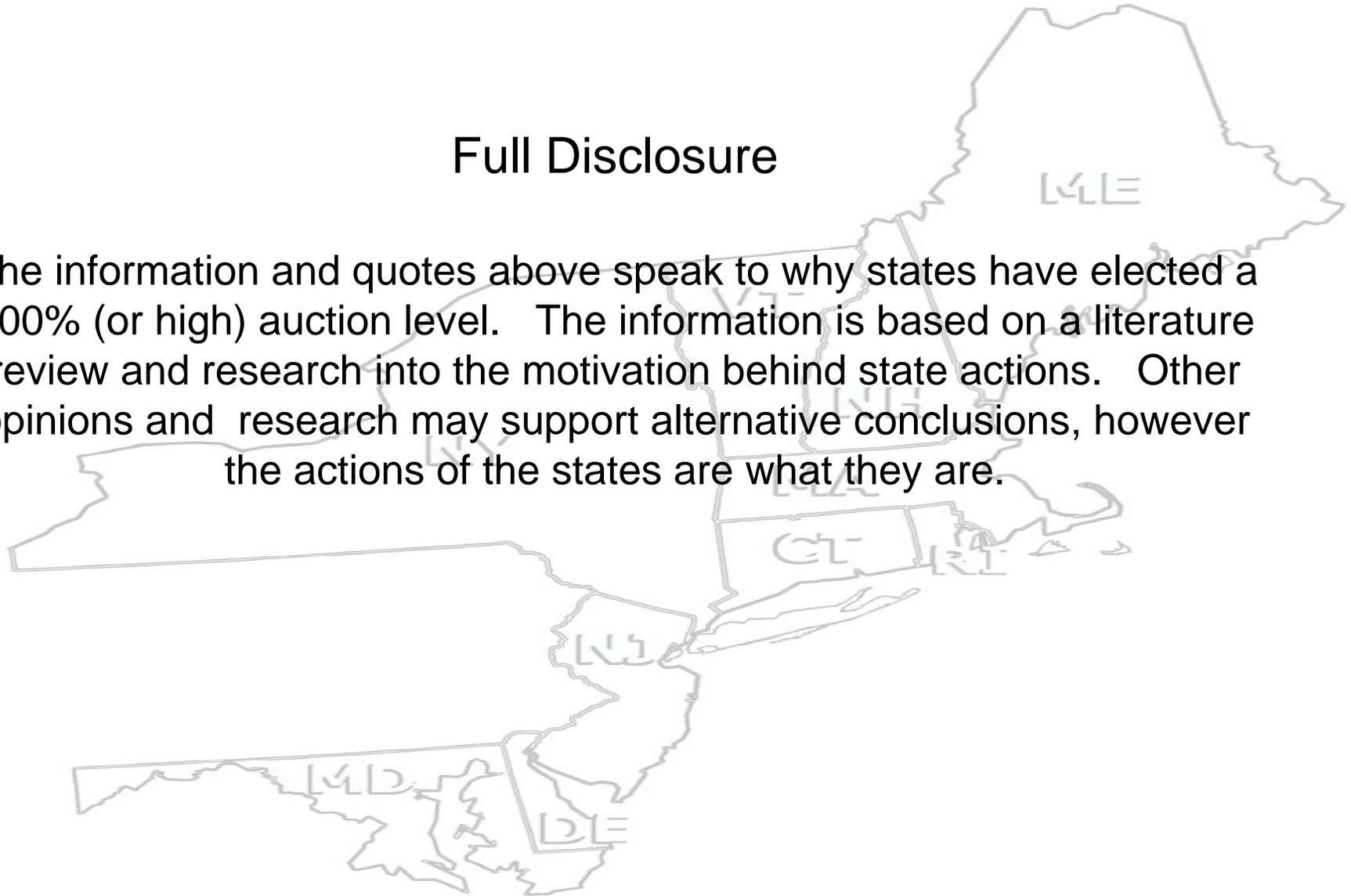
Additional Model Analysis of Maryland Joining RGGI
Memo to the MD MDE
From Resources for the Future
September 18, 2007

Summary - Why 100%?

- The allowances have value and granting them directly to generators is a free transfer of wealth
- Customers are likely to end up paying higher cost for electricity anyway, so why not allow them the benefits
- If revenue is directed to energy efficiency and made available to ratepayers, they can more than mitigate the higher costs of power and possibly reduce energy prices
- The revenue – if directed to efficiency or other public purposes, has social benefit, potentially including increases in jobs and state product
- How the allowances are distributed has no impact on the efficacy of the program

Full Disclosure

The information and quotes above speak to why states have elected a 100% (or high) auction level. The information is based on a literature review and research into the motivation behind state actions. Other opinions and research may support alternative conclusions, however the actions of the states are what they are.



Regional Greenhouse Gas Inventory

