

SCR 28 CARBON AUCTION WORKGROUP

RECOMMENDATION

1. 100% Auction of DE Carbon Allowances under the Regional Greenhouse Gas Initiative (RGGI) by year three. The phase-in will be: 70% of allowances to be auctioned in year one; 85% in year two, and 100% in year three and all subsequent auctions. All auction proceeds would be placed in a restricted account administered by DNREC.
2. A reserve fund would be established within the auction proceeds restricted account which would become available in the third year of the program. The purpose of the reserve fund would be to offset the cost of substantial increases in rates should they materialize as a result of the impact of 100% auction of allowances on electric generators in Delaware. The reserve fund would be a set-aside of 25% of a given year's auction proceeds and would be allowed to accrue up to a maximum of 100% of a given year's auction proceeds. To the extent the reserve fund exceeds that amount, such monies will become available for the program purposes specified in paragraph 3. If a showing is made that rates have increased due to auction costs, then rate relief will be provided in an equitable manner to SOS customers with incomes at 200% of the federal poverty level and below. If such rate increases are not demonstrated by the year 2018, then the reserve fund will flow back into the restricted account and be disbursed for the program purposes specified in paragraph 3.
3. The balance of the auction proceeds (75%) would be used to establish and implement a Delaware Affordable Utilities (DAU) program, and other activities authorized under the RGGI MOU. The DAU program would be designed to provide assistance to low-income Delaware residents with the cost of electric, fuel oil and natural gas service. Qualifying home-owners requesting assistance would be eligible to receive contractor-provided weatherization services and materials, including insulation, energy efficient replacement windows and doors, and energy efficient heating and cooling systems, and other energy conservation and efficiency systems, at no cost. This program would be administered in conjunction with the existing Low Income Home Energy Assistance Program (LIHEAP) and the Weatherization Program.
4. As originally conceived, the Sustainable Energy Utility (SEU) would rely on private lending institutions for capitalization of the program and would not be eligible to receive carbon auction proceeds.
5. DNREC would serve as financial administrator of the RGGI Fund and be eligible to use carbon auction proceeds to administer the program. Carbon auction funds would be placed in a dedicated, interest bearing account. Interest earnings and unused funds remaining at the end of each state fiscal year shall be retained in the fund and used for the express purposes for which the fund was established.