

**Executive Office of Energy and Environmental Affairs  
Massachusetts Department of Energy Resources**

**Renewable Portfolio Standard (RPS) and Alternative Portfolio Standard (APS)**

**COMPLIANCE YEAR 2011  
ALTERNATIVE COMPLIANCE PAYMENTS**

**SPENDING PLAN**

**November 15, 2012**

This report provides a Spending Plan for the over \$78.4 million received from retail electricity suppliers in the form of Alternative Compliance Payments (ACP) for the 2011 Compliance Year (CY). Suppliers make use of the ACP mechanism to meet their compliance obligations for the RPS and APS programs in the case that they have insufficient Certificates.

**Background – Source and Use of ACP**

As provided in the Green Communities Act of 2008, the RPS and APS programs have been expanded to include the following separate obligations, as laid out in the specified regulation.

RPS Class I	225 CMR 14.00
RPS Class I Solar Carve-Out	225 CMR 14.00
RPS Class II	225 CMR 15.00
RPS Class II Waste Energy	225 CMR 15.00
APS	225 CMR 16.00

In each regulation, the procedure for retail electric suppliers to use the Alternative Compliance mechanism is stated, more or less, as:

Alternative Compliance. A Retail Electricity Supplier may discharge its obligations under 225 CMR 14.07, in whole or in part, for any Compliance Year by making an Alternative Compliance Payment (ACP) to the Massachusetts Clean Energy Center (MassCEC). Such funds shall be held in an account separate from other accounts of the MassCEC.

The use of ACP revenues received from each of the programs is to be overseen by the Department of Energy Resources (DOER) with some restrictions as follows.

<b>Program/Class</b>	<b>Use of Funds: The Department shall oversee the use of ACP funds ...</b>	<b>Section of Regulation</b>
RPS Class I	... so as to further the commercial development of RPS Class I Renewable Generation Units and Solar Carve-Out Renewable Generation Units.	14.08(3)(c)
RPS Class I Solar Carve-Out		
RPS Class II	no restrictions	15.08(3)(b)
RPS Class II Waste Energy		
APS	... so as to further the commercial development of Alternative Generation.	16.08(3)(b)

### Compliance Year 2011 ACP Receipts

CY 2011 was the second year in a row with substantial amount of ACP received, increasing from \$54.8 million in 2010 to \$78.4 million in 2011. The CY 2011 increase was due to the continued expiration of “exempt load” from compliance obligations for retail load contracts executed prior to 2009 and the continued severe shortage of qualified generation in the Class II program. The RPS Class I Solar-Carve Out obligation continued a second year of shortage and, for the first time in five years, the RPS Class I program experienced shortage of generation. The insufficient growth of generation in the APS program, and the expiration of “exempt load” resulted in an increase in the ACP compliance for the APS program as well.

The ACP received for CY2011 by RPS Class and APS is as follows. Additional information on the CY2011 compliance will be available in the forthcoming 2011 Annual Compliance Report.

<b>Program/Class</b>	<b>ACP Received</b>
RPS Class I	\$6,598,386
RPS Class I Solar Carve-Out	\$23,887,474
RPS Class II	\$35,862,072
RPS Class II Waste Energy	\$24,113
APS	\$12,116,514
<b>TOTAL</b>	<b>\$78,488,558</b>

DOER anticipates that the ACP revenues for 2012 will begin to decline, particularly for the RPS Class I Solar Carve-Out. Further, policy measures to reduce the substantial and sustained reliance on ACP compliance in the Class II program is currently being investigated by DOER, as directed by the Legislature in the 2012 Act Relative to Competitively Priced Electricity in the Commonwealth (the 2012 Act).

## **ACP Spending Plan – Activities**

DOER has identified strategic areas of spending to move forward the Commonwealth's clean energy goals. DOER will continue to use a portion of ACP funds to support the Green Communities grant programs for municipalities and the Leading by Example program for projects at state facilities. A significant portion of funding will be used by DOER to offer a range of financing support for small solar PV and other Class I renewable and APS/CHP distributed generation projects. As required by the 2012 Act, 30% of the Class II ACP revenue will be used to support environmental upgrades to hydro facilities to qualify for the RPS. DOER will also provide funds to the University of Massachusetts to partner with the Clean Energy Application Center to expand its capacity to support CHP project support, and to establish a new initiative to proactively support a clean energy economy through market development, business creation, and student entrepreneurship. Additional funds will be spent on supporting utility upgrades for strategic renewable energy opportunities in rural communities, renewable thermal industry development, and the provision of solar and wood pellet heating systems to low income LIHEAP households. DOER has reserved a portion of funds to assist in administering the Spending Plan, and to complete studies directed by the Legislature in the 2012 Act as well as other efforts to support the RPS program development and other small task as they become necessary.

DOER provides a summary description and budget for each Activity in the 2011 Spending Plan in a separate file, which can be found at the following link.

### [2011 ACP Spending Plan – Activity Summary and Budget](#)

Full URL: <http://www.mass.gov/eea/docs/doer/rps-aps/cy-2011-acp-spending-plan-activity-summary-budget.pdf>

Along with continuing the execution of the prior year's spending plan, DOER anticipates the 2011 spending to be completed over the next three years.

DOER, in coordination with the Massachusetts Clean Energy Center, will maintain careful records of the ACP spending. DOER maintains the right to modify this spending plan as it deems appropriate and within the constraints of the regulatory purposes of the respective revenue sources.

## **ACP Spending Plan – Allocation**

The allocation of the spending plan to the ACP revenue sources is provided in the table below. DOER reserves the right to make adjustments to this allocation, within the discretion provided in the regulations, to accommodate changes in spending amounts and activities.

## Allocation of Spending Plan to ACP Revenue Sources

(For full description of the Spending Plan activities, see link provided above.)

ACP Receipts	Total	Class I	Class I-SCO	Class II	Class II-WEC	APS
Compliance Year 2011 - received July 2012	\$78,488,558	\$6,598,386	\$23,887,474	\$35,862,072	\$24,113	\$12,116,514

CY 2011 ACP Proposed Spending Plan						
<b>Program/Market Outreach</b>						
MassDEP Clean Energy Results Program	\$2,000,000			\$2,000,000		
<b>Green Communities and State LBE Support</b>						
Designation and Competitive Green Communities Grants	\$5,000,000			\$5,000,000		
Reduce Fuel Oil and Electric Heating in State and Municip	\$2,500,000			\$2,500,000		
REC Financing for State Electricity Procurement	\$2,000,000	\$2,000,000				
Pilot PV Deployment over Parking Lots or Agricultural Land	\$1,500,000		\$1,500,000			
Reduce Solar Soft Costs - Solarize, Solar Garden, Model P	\$1,000,000		\$1,000,000			
Tree Planting - Asian Longhorn Beetle (Worcester and sur	\$1,000,000			\$1,000,000		
<b>Technology/Market Development</b>						
Solar PV - Small System Subsidized Loan or SREC Pre-Buy	\$15,000,000		\$15,000,000			
REC/AEC Pre-Buy Program for DG Renewables	\$13,000,000	\$1,098,386	\$6,387,474			\$5,514,140
Organics-to-Energy / Water Treatment Initiatives	\$2,000,000	\$2,000,000				
Hydropower Design and Construction Improvement Grant	\$10,765,855			\$10,741,743	\$24,113	
Interagency Data Management/IT Unification of RPS SQA	\$1,000,000			\$1,000,000		
CHP Technical Assistance - UMass CHP Application Cente	\$2,000,000					\$2,000,000
UMass Amherst - RE/CHP Project/Market Development Ex	\$4,000,000			\$2,000,000		\$2,000,000
Rural Utility Upgrades for Strategic RE Development	\$3,000,000			\$2,000,000		\$1,000,000
Wastewater Heat Recovery	\$1,000,000			\$1,000,000		
Solar Water Heating and Wood Pellet Stoves for LIHEAP H	\$1,000,000			\$1,000,000		
Renewable Thermal Market Investment Support	\$3,000,000			\$1,500,000		\$1,500,000
<b>Administrative Support and Reserved Funds</b>						
IT Support for RPS/APS, DOER	\$500,000			\$500,000		
DOER ACP Program Administrative Support	\$400,000			\$400,000		
DOER Studies as directed by Legislature	\$1,000,000			\$1,000,000		
Reserved Funds (to be determined)	\$3,000,000	\$1,500,000		\$1,500,000		
Renewable Outreach and Small Project Support	\$2,822,703			\$2,720,329		\$102,373
<b>Total</b>	<b>\$78,488,558</b>	<b>\$6,598,386</b>	<b>\$23,887,474</b>	<b>\$35,862,072</b>	<b>\$24,113</b>	<b>\$12,116,514</b>