

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

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

**COMPLIANCE YEAR 2010
ALTERNATIVE COMPLIANCE PAYMENTS**

SPENDING PLAN

January 17, 2012

This report provides a Spending Plan for the over \$54.8 million received from retail electricity suppliers in the form of Alternative Compliance Payments (ACP) for the 2010 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.

Program/Class	Use of Funds: The Department shall oversee the use of ACP funds ...	Section of Regulation
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 2010 ACP Receipts

CY 2010 saw a substantial increase in the amount of ACP received. (Total receipts in CY 2009 were approximately \$14.8 million.) The CY 2010 increase was due to the significant expiration of “exempt load” from compliance obligations for retail load contracts executed prior to 2009 (see 2009 Annual Compliance Report for more information), as well as the beginning of the RPS Class I Solar-Carve Out obligation and small increase in the APS obligation.

The ACP received for CY2010 by RPS Class and APS is as follows. Additional information on the CY2010 compliance will be available in the forthcoming 2010 Annual Compliance Report.

Program/Class	ACP Received
RPS Class I	\$241,551
RPS Class I Solar Carve-Out	\$11,682,793
RPS Class II	\$35,002,925
RPS Class II Waste Energy	\$57,970
APS	\$7,829,400
TOTAL	\$54,814,638

ACP Spending Plan – Activities

DOER has identified key areas of need in moving forward the Commonwealth’s clean energy goals, and specifically the renewable and alternative energy markets. With these priorities, DOER has established the following spending plan for the CY2010 ACP. DOER expects that these funds will be substantially expended in 2011 and 2012, with spending likely to be completed over the next three years.

2010 CY ACP Spending Plan

Program/Market Outreach		
MassDEP Clean Energy Results	\$4,300,000	These funds will launch a new program of the MassDEP, working in coordination with DOER and MassCEC, to provide strategic technical outreach and support for renewable and alternative energy project development. The funds will support staff resources at MassDEP and build on their core competencies to work with public and private constituents to address environmental issues and encourage adoption of appropriately sited wind, anaerobic digesters, combined heat and power, and other clean technologies.
Green Communities and State LBE Support		
Designation Green Communities Grant Fund	\$18,000,000	These funds are being set aside to ensure grant funding for upcoming grants for newly designated communities and technical assistance. DOER has been providing for \$8M in grants per fiscal year from RGGI auctions. Based on the most recent auction, this is not expected to be possible with RGGI funds alone. The \$18M will provide for \$6M/yr for each of the next 3 years.
Tornado Re-build Clean Energy Program	\$5,000,000	These funds are to provide clean energy and energy efficiency grants for rebuilding of business and residences impacted by the recent tornadoes in Springfield, West Springfield, Monson, and Brimfield. Clean energy technologies will include solar thermal, biomass thermal, and geothermal heat pumps while the energy efficiency grants will be used to rebuild to the Stretch Code and beyond.
Green Communities - Competitive Grant Fund	\$5,000,000	These funds are to provide for a competitive grant program and technical assistance for previously designated Green Communities who have completed their projects and expended their initial grant. The funds will provide for \$2.5 million in grants in both FY13 and FY14.
Owner Agent for Muni/State Projects	\$500,000	Owner's Agents are independent third parties who offer expertise in the negotiation and project management of energy projects that a municipality or state facility may otherwise not possess. Under the ARRA EECBG program, Owner's Agents proved very effective in supporting municipalities engaged in energy savings performance contracts and Power Purchase Agreement. These funds will enable Green Communities to continue to provide this service to meet the expressed need of the municipalities.
State Pilot Projects	\$2,000,000	State facilities have often been willing to try new, innovative technologies but lack the funding to do so. These funds will be used for demonstration of new, innovative clean technologies at state facilities under DOER's Leading By Example program. The LBE program will be able to provide close documentation of the results of these projects.
Technology/Market Development		
Public Housing Projects	\$2,000,000	Public Housing often affords good opportunities to employ renewable and alternative energy technologies which can relieve on-going energy costs on public budgets. These funds will be used to implement renewable energy projects at Public Housing facilities in MA, in coordination with the Department of Housing and Community Development.

Commonwealth Solar II Support	\$1,000,000	Over the past few years, the Commonwealth Solar program has successfully stimulated a robust market for residential scale solar PV installations. These funds will be used in coordination with the MassCEC funds, to extend the Commonwealth Solar II program to support the continued robust expansion of the solar residential and small commercial markets.
Combined Heat and Power Financing	\$5,000,000	The APS program has stimulated new markets for Combined Heat and Power (CHP) projects in MA. Project financing remains a demonstrated barrier to project implementation. These funds will be used to establish a subsidized loan program to support the financing of CHP units in MA.
RE Thermal Project Pilots	\$4,000,000	These funds will be used, in coordination with the MassCEC, to establish a pilot funding program to support renewable thermal installations including high efficiency heat pumps and clean biomass heating. Pilot program will help inform DOER on the market and economic status of these technologies, and support policy development for renewable thermal energy.
RE Thermal Business Investment Financing	\$3,000,000	These funds will be made available to support investment needs of MA businesses that seek to establish or expand distribution or manufacturing of renewable thermal technologies, or investments in supply chain infrastructure.
Community District Energy Financing	\$2,000,000	Small district energy piping networks can facilitate the effectiveness of CHP and renewable thermal technologies. These funds will be used to support financing of pilot district energy systems implemented in association with CHP or renewable thermal projects in MA.
Organics Anaerobic Digesters Financing	\$2,000,000	In coordination with the on-going multi-agency Organics Task Force, these funds will be used to support financing of pilot anaerobic digester projects in MA that convert organic waste feedstocks eligible for the RPS (agricultural wastes, food wastes, biosolids at wastewater treatment plants) into electricity and/or heat.
Administrative Support - Small Project Fund		
	\$1,014,638	These limited funds will provide DOER with the ability to support small administrative projects to support the implementation of the RPS program and expand policy development. Initial projects identified include upgrade to the RPS on-line application, launch of the Solar Credit Clearinghouse Auction, assessment study of renewable thermal technologies and markets, and support for the implementation of the new RPS biomass regulations.
Total	\$54,814,638	

ACP Spending Plan – Allocation

The allocation of the spending plan to the ACP revenue sources is provided in the table below.

Allocation of Spending Plan to ACP Revenue Sources

ACP Receipts	Total	Class I	Class I-SCO	Class II	Class II-WEC	APS
Compliance Year 2010 - received July 2011	\$54,814,638	\$241,551	\$11,682,793	\$35,002,925	\$57,970	\$7,829,400

CY 2010 ACP Proposed Spending Plan						
Program/Market Outreach						
MassDEP Clean Energy Results	\$4,300,000			\$4,300,000		
Green Communities and State LBE Support						
Designation GC Grant Fund	\$18,000,000		\$6,682,793	\$8,487,807		\$2,829,400
Tornado Re-build Clean Energy Program	\$5,000,000		\$2,000,000	\$3,000,000		
Green Communities - Clean Energy Projects	\$5,000,000			\$5,000,000		
Owner Agent for Muni/State Projects	\$500,000			\$500,000		
State Pilot Projects	\$2,000,000			\$2,000,000		
Technology/Market Development						
Public Housing Projects	\$2,000,000			\$2,000,000		
Comm Solar II Support	\$1,000,000		\$1,000,000			
Combined Heat and Power Financing	\$5,000,000					\$5,000,000
RE Thermal Project Pilots	\$4,000,000			\$4,000,000		
RE Thermal Business Investment Financing	\$3,000,000			\$3,000,000		
Community District Energy Financing	\$2,000,000			\$2,000,000		
Organics Anaerobic Digesters Financing	\$2,000,000		\$2,000,000			
Administrative Support - Small Project Fund	\$1,014,638	\$241,551		\$715,118	\$57,970	
Totals	\$54,814,638	\$241,551	\$11,682,793	\$35,002,925	\$57,970	\$7,829,400

ACP Spending Plan – Reporting and Modifications

DOER, in coordination with the MassCEC, will maintain careful records of the ACP spending, and report periodically on progress. 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.