

2017 Regional Greenhouse Gas Initiative Annual Report

Report to the Legislature from the Public Service Department

January 15, 2018

This Report was prepared pursuant to 30 V.S.A. § 255 (e) which states:

By January 15 of each year, commencing in 2007, the Department of Public Service in consultation with the Agency of Natural Resources and the Public Service Board shall provide to the House and Senate Committees on Natural Resources and Energy, the Senate Committee on Finance, and the House Committee on Commerce a report detailing the implementation and operation of RGGI and the proceeds collected and the expenditures made under this section, together with recommended principles to be followed in the allocation of funds.

Background & Overview of the Regional Greenhouse Gas Initiative

The Regional Greenhouse Gas Initiative ("RGGI") is a cooperative effort by Northeastern and Mid-Atlantic states (Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island and Vermont) to reduce carbon dioxide emissions – a greenhouse gas that contributes to global climate change – from electricity generation. Central to this initiative is the implementation of a multi-state cap-and-trade program with a market-based emissions trading system. The RGGI program requires fossil fuel fired electric generating units serving a generator with a nameplate capacity of 25 MW or larger to purchase and retire allowances for their CO₂ emissions. Regionally, units of this size are responsible for approximately 95% of CO₂ emissions from the electric generation sector. In Vermont, there are two facilities subject to this program – the City of Burlington Electric Department's Lake Street/Penny Lane facility, and Green Mountain Power Corporation's Berlin 5 facility.

Vermont committed to participate in RGGI in 2007 when Governor Douglas signed the RGGI Memorandum of Understanding (MOU) along with the governors of the other participating states. The Vermont Legislature then enacted statutory provisions to implement the RGGI program in Vermont. Both 30 V.S.A. § 255 and the RGGI MOU directed the Public Utilities Commission (PUC) and the Agency of Natural Resources (ANR) to participate in the RGGI program.

The RGGI states individually decide how to distribute CO₂ allowances, with most of the allowances sold through the centralized auction. Vermont sells nearly all its allotment of allowances through the auction and allocates the proceeds from the sale of allowances to fund Vermont programs that promote thermal energy and process fuels efficiency services.

Proceeds from the sale of allowances are deposited into the Electrical Efficiency Fund pursuant to 30 V.S.A. § 209(e)(1)(B).

Auction Results for 2017

CO₂ Allowance Auction Results - All Participating States, 2017

Auction Number	Auction Format	Quantity Offered	Quantity Sold	Clearing Price
35	Sealed Bid - Uniform Price	14,371,300	14,371,300	\$3.00
36	Sealed Bid - Uniform Price	14,597,470	14,597,470	\$2.53
37	Sealed Bid - Uniform Price	14,371,585	14,371,585	\$4.35
38	Sealed Bid - Uniform Price	14,687,989	14,687,989	\$3.80

Total
^[1]Weighted Average Price \$3.42 ^[1]

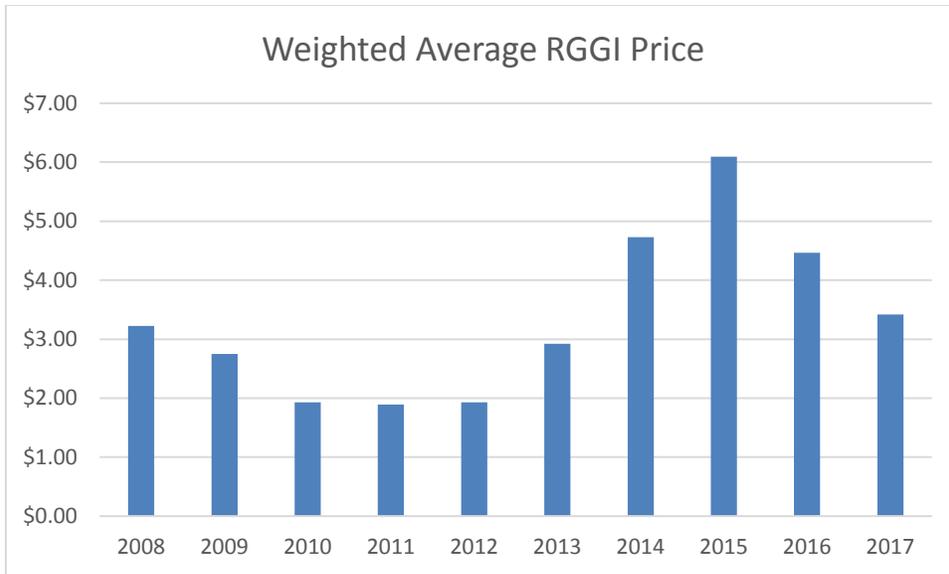
CO₂ Allowance Auction Results - Vermont, 2017^a

Auction Number	Quantity Sold	Clearing Price	Total Proceeds
35	114,710	\$3.00	\$344,130.00
36	114,709	\$2.53	\$290,213.77
37	114,709	\$4.35	\$498,984.15
38	114,709	\$3.80	\$435,894.20

Total
^[1] Weighted Average Price \$3.42¹ \$1,569,222.12

In sum, Vermont participated in four (4) market-based auctions for carbon allowances in 2017 and sold over 450,000 allowances for a total of more than \$1.5 million.

^a Detailed auction results https://www.rggi.org/docs/Auctions/38/VT_Proceeds_By_Auction.pdf



The weighted average price of the allowances in 2015 was \$6.10, in 2016 the price was \$4.47, in 2017 this price was \$3.42, and this resulted in a \$467,529 reduction in revenue from 2016 to 2017.

Disbursement of Vermont 2017 RGGI Proceeds

Total Proceeds	\$1,569,222.12
Administrative Costs	\$93,266.56 ^b
Trustee Costs	\$4,000
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Net Proceeds	\$1,471,955.56

Pursuant to statute and the PUC's April 2, 2014, Order which modified the established process for Vermont's participation in the RGGI program, ANR and the Department of Public Service ("Department") have the opportunity to request that appropriate and reasonable administrative costs associated with their administration of RGGI be paid from the auction proceeds. In addition, ANR and the Department may request funds to "stimulate or support investment in the development of innovative carbon emissions abatement technologies that have significant carbon reduction potential."

To date, ANR has requested and received PUC approval for reimbursement for administrative costs directly related to RGGI participation, including staff time and travel, totaling \$93,266.56 from auctions 35 through 37. No request has yet been made for reimbursement from auction 38 at this time but a request of approximately \$30,000 (based on

^b Represents only administrative costs for auctions 35 through 37.

prior requests) will be forthcoming from ANR. The remaining balance of approximately \$1.44 million will be deposited into the Electrical Efficiency Fund from the 2017 auctions.

Potential Operational Changes to the RGGI Structure

The RGGI states initiated a scheduled review of the program in early 2016. The changes are scheduled to take effect in 2021 and are designed to build upon RGGI's success and strengthen the program moving forward. They include:

- a 30% reduction in the regional cap from 2020 to 2030;
- a reduction in the number of allowances offered for auction in 2021-2025 to account for allowances in circulation that are in excess of 2018-2020 emissions;
- A reduction in the size of the cost containment reserve (additional allowances that are offered at auction if allowances prices are higher than anticipated) from 10 million allowances to 10% of the regional base cap (7,514,778 allowances in 2021);
- Establishment of an emissions containment reserve which will withhold allowances from an auction if allowance prices are lower than anticipated; and
- Elimination of two categories of offset projects (which can be used to produce additional allowances), and update of the three remaining project categories that states may support at their option.

In addition, Virginia is in the process of developing a regulation that would make it a RGGI participating state, and New Jersey is anticipated to begin the process of rejoining RGGI in 2018.