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STATE OF NEW HAMPSHIRE



TDD Access: Relay NH
1-800-735-2964

Tel. (603) 271-2431

FAX No. 271-3878

Website:
www.puc.nh.gov

PUBLIC UTILITIES COMMISSION

21 S. Fruit St., Suite 10
Concord, N.H. 03301-2429



The State of New Hampshire
DEPARTMENT OF ENVIRONMENTAL SERVICES

Thomas S. Burack, Commissioner



October 12, 2010

The Honorable Naida Kaen, Chairwoman
House Science, Technology, and Energy Committee and,
Electric Utility Restructuring Legislative Oversight Committee (pursuant to RSA-374-F:5)
Legislative Office Building, Room 304
Concord, New Hampshire 03301

The Honorable Suzanne Harvey, Vice Chairwoman
House Science, Technology, and Energy Committee and Chairwoman,
Air Pollution Advisory Committee (pursuant to RSA-125-J:11)
Legislative Office Building, Room 304
Concord, New Hampshire 03301

Re: RSA 125-O:21 RGGI annual report required of the Department of Environmental Services (DES) and the Public Utilities Commission (PUC)

Dear Chairwomen Kaen and Harvey, and Members of the Committees:

New Hampshire Revised Statutes Annotated Chapter 125-O¹, sections 18 – 28 established the state's Carbon Dioxide Emissions Budget Trading Program in accordance with the Regional Greenhouse Gas Initiative (RGGI). RGGI is a cooperative effort by ten Northeast and Mid-Atlantic states (Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont) to limit greenhouse gas emissions from the electric power generation sector. RGGI is the first mandatory, market-based CO₂ emissions reduction program in the United States. For more detailed information on RGGI please refer to the attached [RGGI Fact Sheet](#) and the website (www.rggi.org).

The statute requires an annual report on the program to specific standing legislative committees with responsibility for oversight of air pollution issues and electric generation in the state. Specifically, section 125-O:21, VI requires the following of DES and PUC:

"125-O:21 Carbon Dioxide Emissions Budget Trading Program. –

VI. The department and the commission shall report on an annual basis to the air pollution advisory

¹ See <http://www.gencourt.state.nh.us/rsa/html/NHTOC/NHTOC-X-125-O.htm> for full text.

committee under RSA 125-J:11 and the legislative oversight committee on electric utility restructuring under RSA 374-F:5, on the status of the implementation of RGGI in New Hampshire, with emphasis on the prices and availability of RGGI allowances to affected CO₂ sources and the trends in electric rates for New Hampshire businesses and ratepayers. The report shall include but not be limited to:

- a) The number of allowances sold in the RGGI program and the type of entities purchasing allowances;*
- b) The number of unsold allowances in the RGGI program;*
- c) The available price data of allowances from the regional auction and secondary markets;*
- d) Market monitoring reports;*
- e) The CO₂ emissions by affected source, state, and RGGI region;*
- f) The spending of revenues from auction allowances by each RGGI state;*
- g) The allocation and spending of the greenhouse gas emissions reduction fund, including associated energy savings and emissions reductions; and,*
- h) The status of any proposed or adopted federal CO₂ cap and trade program, the impact on New Hampshire's RGGI program, and recommendations for any proposed legislation necessary to accommodate the federal program.”*

Background

In 2003, then Governor Pataki of New York invited governors from Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont to begin discussions to develop a regional cap-and-trade program addressing carbon dioxide emissions from power plants. Environmental and utility commissioners from each of the states began a series of regular meetings to formulate program policy and a framework organization.

On December 20, 2005, seven of those states announced an agreement to implement the Regional Greenhouse Gas Initiative, as outlined in a Memorandum of Understanding (MOU) signed by the Governors of Connecticut, Delaware, Maine, New Hampshire, New Jersey, New York, and Vermont. The MOU provides the outlines of RGGI, including the framework for a Model Rule.

In August, 2006, the original seven MOU signatory states published a model rule to assist any participating state in implementation of RGGI. The model set of regulations detailed the proposed program, as outlined in the MOU, and served as the basis for individual state regulatory and/or statutory proposals, including New Hampshire's.

To reduce emissions of greenhouse gases, the RGGI participating states are using a market-based cap-and-trade approach that includes:

- Establishing a multi-state CO₂ emissions budget (cap) that will decrease gradually until it is 10 percent lower than at the start;
- Requiring electric power generators to hold allowances covering their emissions of CO₂;
- Providing a market-based emissions auction and trading system where electric power generators can buy, sell and trade CO₂ emissions allowances;
- Using the proceeds of allowance auctions to support low-carbon-intensity solutions, including energy efficiency and clean renewable energy, such as solar and wind power; and
- Employing offsets (greenhouse gas emissions reduction or sequestration projects at sources beyond the electricity sector) to help companies meet their compliance obligations.

RGGI's phased approach means that reductions in the CO₂ cap will initially be modest, providing predictable market signals and regulatory certainty. Electricity generators will be able to plan for and invest in lower-carbon alternatives and avoid dramatic electricity price impacts.

Revenues from allowance auctions are primarily directed to energy efficiency measures intended directly or indirectly, to reduce regional electricity demand and, thereby, CO₂ emissions.

Overview

Quarterly RGGI auctions have been conducted for two full years, smoothly and professionally. The state has received over \$26,000,000 to date in allowance auction revenues for energy efficiency investments (see further discussion of allowance sales information and trends below). Total revenues collected for consumer benefit in the ten RGGI states have exceeded \$729 million.

The RGGI states jointly established an administrative entity, the Regional Greenhouse Gas Initiative, Inc. (RGGI, Inc.), a non-profit corporation created to support development and implementation of the ten participating states' CO₂ Budget Trading Programs. The environmental and utility or energy commissioners of the 10 states serve as the Board of Directors of the non-profit corporation (without compensation beyond their state jobs). DES Commissioner Burack has served as Chair of the Board's Audit Committee since the inception of RGGI, Inc. while PUC Commissioner Below has served as the Secretary of the Board and is currently a Vice-Chair and member of the Executive Committee. RGGI, Inc. provides technical and support services for key elements of the states' CO₂ Budget Trading programs, including:

- Development and maintenance of a system to report data from emissions sources subject to RGGI, and to track CO₂ allowances;
- Implementation of a platform to auction CO₂ allowances;
- Monitoring the market related to the auction and trading of CO₂ allowances;
- Providing technical assistance to the participating states in reviewing applications for emissions offset projects; and,
- Providing technical assistance to the participating states to evaluate proposed changes to the states' RGGI programs.

Each RGGI state retains its own sovereign authority to implement and enforce the program in their own state, and auction proceeds for individual state allowances are directed back to that state for distribution in accordance with state law. RGGI, Inc. simply coordinates the joint activities, in particular the allowance auctions and allowance tracking, thereby achieving administrative efficiencies by reducing duplicative administrative programs.

Program Evaluation and Potential Changes

RGGI continues to function smoothly and as intended according to market monitoring analysis and reports (see *Market Monitoring and Secondary Market Reports*, p. 8). Four quarterly allowance auctions have been conducted since our October 2009 report (auction results and monitor reports are discussed later in this report). Further, in an independent analysis by Environment Northeast² (ENE), after its first year RGGI received grades of **A** for "Auctions," **A** for "Funding Design," **B** for "Funding Implementation," **A** for "Offsets Design," **A** for "Governance," and **C/incomplete** for "Cap Level." According to the February 2010 ENE report,

"To date, all auctions have been conducted successfully, and emissions and market data has been quickly compiled and publicized by RGGI, Inc. An independent market monitor, Potomac

² See *RGGI At One Year: An Evaluation of the Design and Implementation of the Regional Greenhouse Gas Initiative* available at http://www.env-ne.org/public/resources/pdf/ENE_2009_RGGI_Evaluation_20100223_FINAL.pdf

Economics, has certified that auctions and the secondary market have been transparent and free of collusion. All of the tracking and oversight systems – such as the CO₂ Allowance Tracking System (RGGI-COATS) – were developed specifically for the RGGI program, and each has functioned effectively, setting important design precedents for regional and federal cap and trade systems.

... RGGI has had minimal impacts on consumer prices. In 2009 RGGI allowances sold for an average price of \$2.91/ton, adding about 0.9 percent to retail electricity prices in New England while raising revenue for strategic investments aiding in the transition to a clean energy economy. Capturing the dual benefits of efficiency – lower supply costs and lower carbon costs – is one of RGGI's greatest achievements, and should ensure that costs remain low over time. ...in Maryland and New York, ... RGGI auction revenue is being diverted from planned efficiency and clean energy investments, and other states may be considering similar action. In April, Maryland transferred \$70 million in RGGI funding from efficiency investments to short-term rebates, and New York is using \$90 million of revenue to offset state budget deficits. While these diversions will not undermine the RGGI cap, they run counter to commitments by RGGI states to minimum funding levels for clean energy investments

Assumptions that have subsequently proved inaccurate were made about increases in electricity demand and other factors. For example, it was assumed that electric sector emissions would continue to grow at approximately 1 percent annually, and the cap was thereby set above historical emissions estimates. However, subsequent events, particularly a steep decline in emissions due to low natural gas prices, the economic downturn, and increased efficiency investments have combined to produce emissions substantially lower than the cap. ... States could correct for an over-inflated cap by retiring allowances that do not sell above the auction reserve price, currently set at \$1.86 per allowance. Several states allow for retirement of unsold allowances, but regional coordination of allowance retirement would be needed to adjust each state's allowance supply proportionately. When the program is reviewed in 2012 member states have the opportunity to lock in emissions declines by:

- 1) reducing the cap level to better reflect actual emissions, and*
- 2) codifying that unsold allowances be retired permanently.”*

RGGI participating states are currently preparing to support the 2012 program review called for in the RGGI Memorandum of Understanding (MOU). As the MOU specifies, program review will be a comprehensive evaluation to include program success, program impacts, additional reductions, imports and emissions leakage, and offsets. Comprehensive electricity sector and macroeconomic modeling will be considered to support evaluation of any potential modifications to the RGGI program.³ To support the program review, the RGGI participating states are currently developing assumptions for such electricity sector modeling.

Trends in Electric Rates

According to experts interviewed by the Bureau of National Affairs, the RGGI scheme has had a minimal impact on electric rates in the Northeast. Radmila Miletich, legislative and environmental policy director for the Independent Power Producers of New York (IPPNY) said factors that have had the greatest impact on electric rates in New York were the recession and energy commodity prices. She said wholesale electric prices have generally tracked the price of natural gas and are at a 10-year low in New York. This is consistent with the rest of the region.

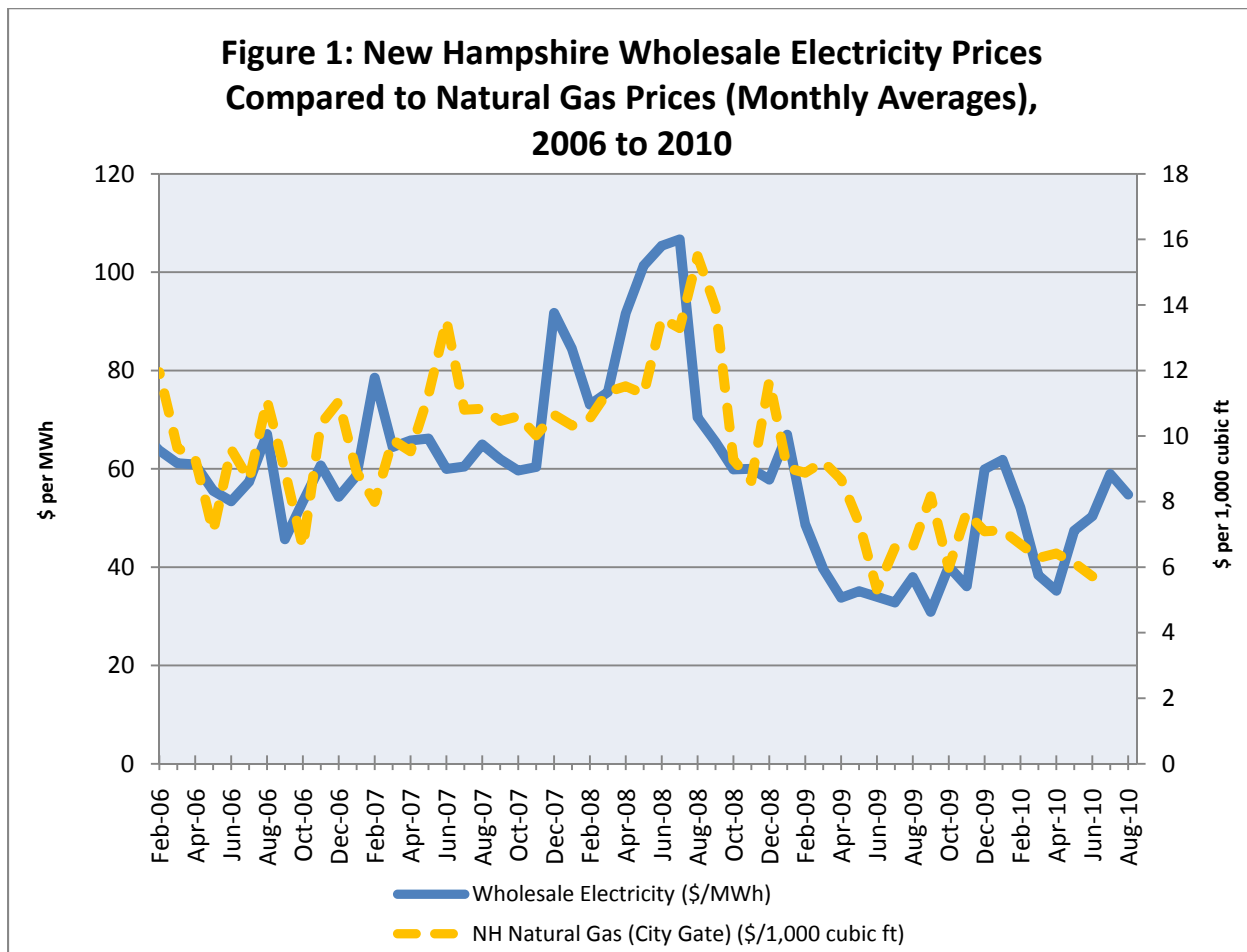
Changes in electric rates, particularly the energy or generation component of rates, which is larger than all other components combined, have been driven primarily by changes in the cost of fossil fuels, especially natural gas, which operates on the margin most of the time in New England. For Unitil, National Grid and the New Hampshire Electric Cooperative, the cost of CO₂ allowances may be reflected in their default service rates to the extent that natural gas power plants operating on the margin factor carbon

³ See *Notice Of Stakeholder Meeting* available at http://rggi.org/docs/RGGI_Notice_of_Stakeholder_Meeting.pdf

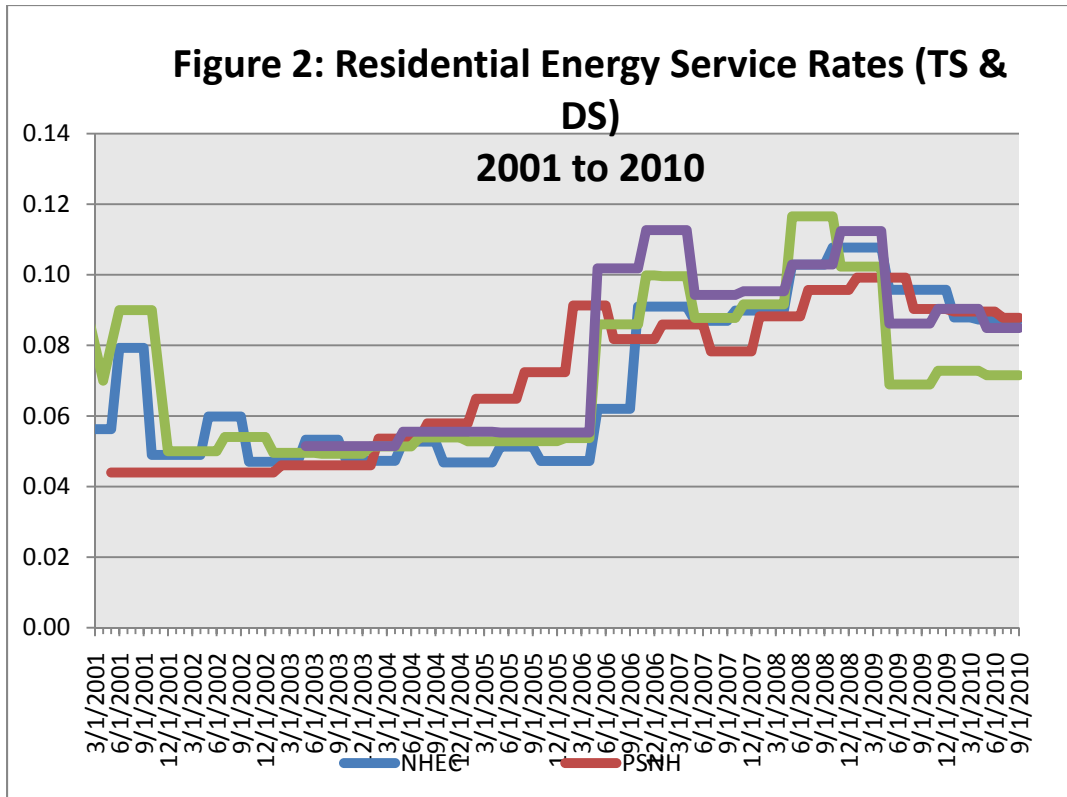
allowance prices in bids that set the market clearing price for power. However, the net effect is not transparent and is not directly known.

PSNH, on the other hand, purchases some of the CO₂ allowances that it needs (while others are directly granted) and has included an estimate of \$6,672,000 (or \$0.0012 per kWh) for total calendar year 2010 RGGI costs in its recent mid-year Energy Service rate update filing. As of June 28, 2010, PSNH’s actual and estimated RGGI costs for the first six months of the year were \$3,676,000. For 2011, PSNH is currently estimating total RGGI costs of \$3,707,000 (or \$0.0007 per kWh per month for the average residential ratepayer). The basis for this estimate is not publicly known at this time.

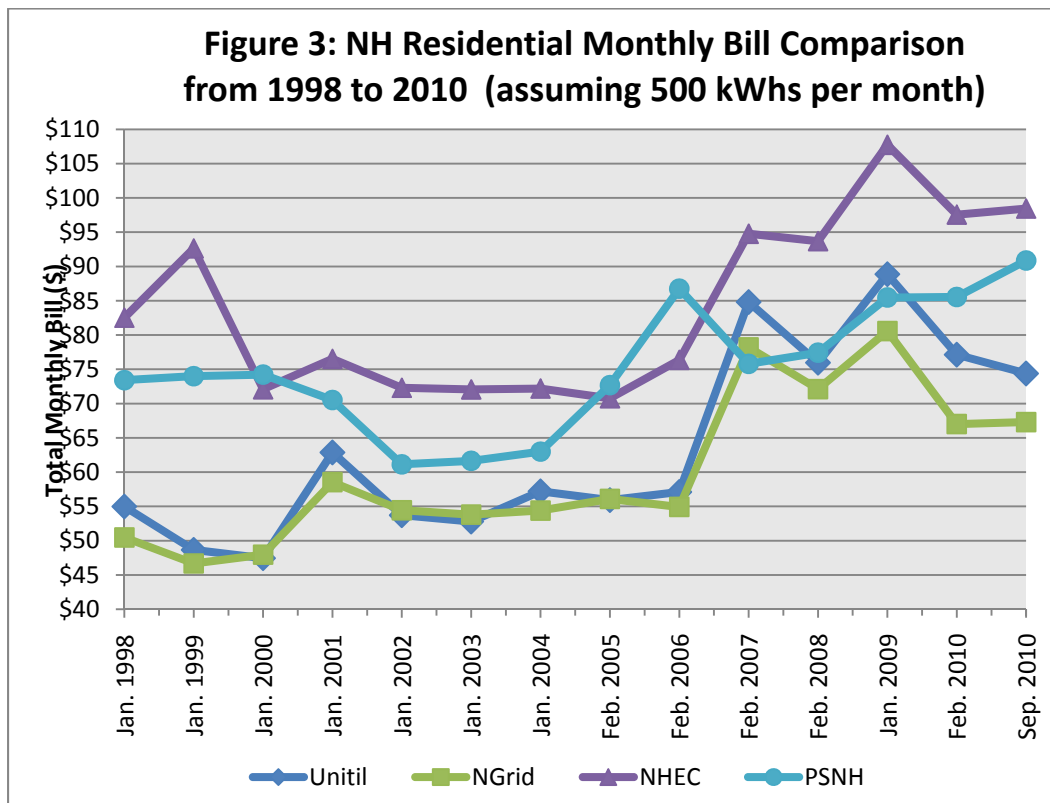
The monthly average wholesale locational marginal price (LMP) for New Hampshire for energy only (excluding capacity and ancillary service charges, as well as distribution and transmission charges) compared to New Hampshire wholesale natural gas prices since 2006 are shown in Figure 1.



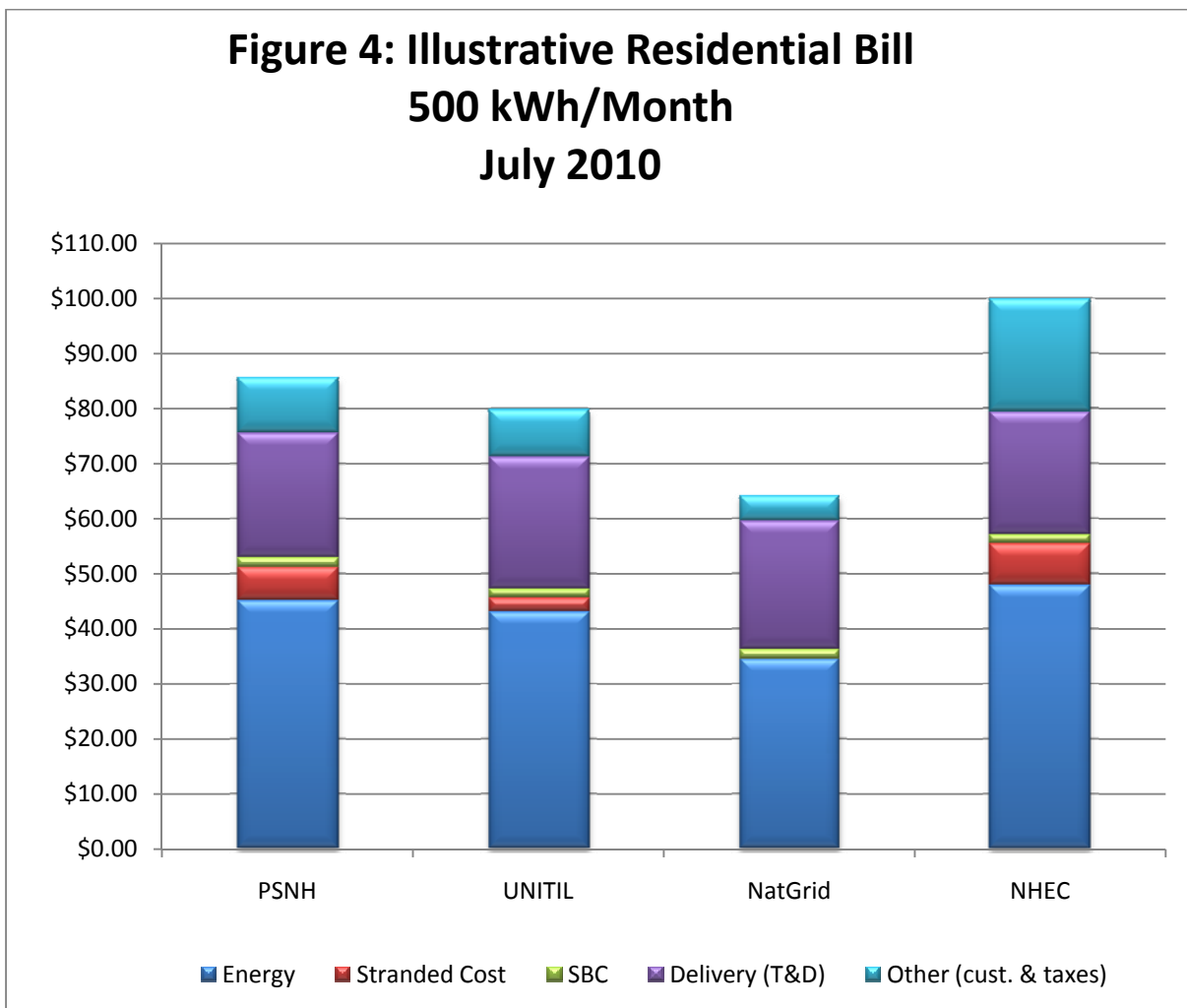
The trend since 2001 for the retail energy service component of rates (formerly Transition Service or TS, now Default Service or DS) for the four non-municipal NH utilities is shown in Figure 2.



The average residential monthly electric bill for 500 kWh of use per month (close to the median usage level) since 1998 is shown in Figure 3.



The components of the illustrative residential bills for July, 2010 are shown in Figure 4.



Allowance Auctions and Sales Information

The RGGI MOU established individual statewide allowance budgets under an initial regional budget cap of 188,076,976 tons. The regional and state specific caps were negotiated by the ten states based on adjusted regulated electric generation sector (25 MW or greater fossil fuel fired plants) emissions. New Hampshire’s budget for the initial compliance period (2009 – 2011) is 8,620,460 tons (or allowances) per year, based on 2003 – 2004 annual New Hampshire affected source emissions.

New Hampshire has participated in eight regional auctions to date. A regional total of 292,838,892 allowances have been sold in nine auctions. 12,635,492 offered allowances were unsold. 84% of allowances have been purchased by regulated compliance entities (electric generators and their corporate affiliates). There has been no evidence of allowance hoarding for speculation by non-compliance entities and allowance shortages or escalating prices due to speculative behavior have not been observed. New Hampshire specific auction details are presented in Table 1.

Table 1: NH Auction Sales and Revenues to Date				
Auction (Vintage)	Date	Allowances	Price	Revenue
1-2009	9/25/08	0	\$3.07	\$0
2-2009	12/17/08	1,189,610	\$3.38	\$4,020,882
3-2009	3/18/09	1,189,611	\$3.51	\$4,175,535
3-2012		86,850	\$3.05	\$264,892
4-2009	6/17/09	1,189,610	\$3.23	\$3,842,440
4-2012		86,850	\$2.06	\$178,911
5-2009	9/9/09	1,189,610	\$2.19	\$2,605,246
5-2012		86,850	\$1.87	\$162,409
6-2009	12/2/09	1,362,019	\$2.05	\$2,792,139
6-2012		63,922*	\$1.86	\$118,895
7-2010	3/10/10	1,487,013	\$2.07	\$3,078,117
7-2013		84,941*	\$1.86	\$157,990
8-2010	6/9/10	1,487,013	\$1.88	\$2,795,584
8-2013		86,850	\$1.86	\$161,541
9-2010	9/8/10	1,122,109**	\$1.86	\$2,087,123
9-2013		53,296*	\$1.86	\$99,130
Total				\$26,540,835

*86,850 allowances were offered; some (auction 6 - 22,928; auction 7 - 1,909; and auction 9 - 33,554) went unsold.

**1,487,013 allowances were offered; some (auction 9 - 364,904) went unsold.

There is a currently a Minimum Reserve Price (price floor) of \$1.86 per allowance. The 2009 vintage allowance available for auction were sold in 5 equal lots over 5 auctions. 2010 vintage allowances are being sold in four equal lots over 4 auctions. Each auction occurs in the last month of each quarter.

Market Monitoring and Secondary Market Reports

[Market Monitor Report for Auction 9](#) (attached), prepared for RGGI by Potomac Economics, is typical of all auctions to date and stated:

“We observed the auction as it occurred and have completed our review and analysis of its results. Based on our review of bids in the auction, we find no material evidence of collusion or manipulation by bidders. A large number of bidders participated in the offering of 2009 vintage and 2010 vintage allowances with 45 entities submitting bids to purchase 75 percent of the available supply of allowances. This resulted in a clearing price equal to the reserve price of \$1.86 per ton. Compliance entities or their affiliates purchased 92 percent of the allowances in the auction. A small number of allowances were auctioned for the second control period (with a 2013 vintage year). Six entities submitted bids to purchase 61 percent of the available supply of allowances, resulting in a clearing price equal to the reserve price of \$1.86 per ton. Compliance entities or their affiliates purchased 100 percent of the allowances in the 2013 vintage offering. Based on our review of the administration of the market, we found that:

- The auction was administered in a fair and transparent manner in accordance with the noticed auction procedures and limitations.
- The auction results were consistent with the market rules and the bids received.
- Sensitive information was treated appropriately by the auction administrator.
- There were no indications of hardware or software problems, communications issues, security breaches, or other problems with the auction platform.

In summary, the results of our monitoring of RGGI Auction 9 raise no material concerns regarding the auction process, barriers to participation in the auction, or the competitiveness of the auction results.”

Market Monitor reports for all auctions are available at http://www.rggi.org/market/market_monitor.

CO₂ Emissions Trends

Regional CO₂ emissions have dropped significantly over the past several years. A June 2010 ENE analysis⁴ concluded

- “Between 2008 and 2009 emissions decreased 9%, and total 2009 emissions fell 34% below the RGGI cap.
- Emissions declines are primarily driven by low prices for natural gas, which emits less carbon dioxide (CO₂) than other fossil fuels in electricity generation. This unanticipated increase in natural gas utilization (displacing coal and fuel oil generation) demonstrates that significant emissions reductions can be delivered rapidly and cheaply with existing infrastructure.
- Non-fossil generation – such as hydroelectric, wind, and nuclear power – is displacing high-CO₂ generation from coal and oil, and increases in non-emitting generation will continue to reduce emissions in the years ahead.
- While the economic downturn has reduced electricity consumption and emissions over the past two years, stable electricity demand during the preceding period of economic growth (2001-2007) suggests that the linkage between economic growth and emissions has weakened, and an economic rebound may not increase emissions significantly.”

2008 – 2010 emissions from New Hampshire sources in tons of CO₂ are as follows:

	2008	2009	2010 (6 MONTHS)
PSNH (Merrimack, Schiller, Newington)	3,112,114 + 818,594* + 98,334 = 4,029,042**	2,597,795 + 632,878* + 197,436 = 3,428,109**	1,587,319 + 239,837* + 63,773 = 1,890,930
Granite Ridge	1,974,812	1,708,459	490,016
Newington Energy	1,091,293	633,312	251,230
Total	7,095,147	5,769,880	2,632,175

*excludes 543,810 from biomass (net zero) in 2008, 567,175 in 2009, and 269,589 in 2010 (1st 6 months)

**PSNH will receive 3,564,718 2009 allowances (early reduction & Clean Power Act (CPA) bonus) and 2,500,000 2010 allowances (CPA bonus)⁵

⁴ See RGGI Emissions Trends http://www.env-nh.org/public/resources/pdf/ENE_RGGI_Emissions_Report_20100617_FINAL.pdf

2009 emissions from the RGGI region are as follows:

- CT = 7,322,364 DE = 3,708,331
- MA = 18,661,076 MD = 26,567,423
- ME = 3,643,493 NH = 5,769,880
- NJ = 16,359,443 NY = 37,700,661
- RI = 3,416,783 VT = 1,965
- Total = 123,151,419
- Budget = 188,076,976

These emissions are anticipated to be representative of state and regional demand for the compliance period, contingent on weather and economic conditions.

Use of Auction Revenue by Each RGGI State

Each RGGI Participating State is investing its share of CO₂ allowance proceeds in programs that benefit consumers and build a clean energy economy. While each state's investments vary, overall RGGI participating states are investing:

- 60 percent of proceeds to improve energy efficiency;
- 10 percent to accelerate the deployment of renewable energy technologies;
- 10 percent to provide direct consumer benefits, including energy bill payment assistance to low-income ratepayers; and,
- The remaining 20 percent is split between program administration and general funds.

These investments reduce CO₂ emissions, and generate important consumer benefits, including lower energy bills, greater electric system reliability and more jobs. A brief summary of the nine partnering states follows. New Hampshire's program is presented in detail starting on page 14.

Connecticut

In accordance with Connecticut regulations for abatement of air pollution [Section 22a-174-31:Control of Carbon Dioxide Emissions/CO₂ Budget Trading Program](#) 69.5 percent of Connecticut's proceeds from the sale of RGGI CO₂ allowances provide additional support for energy efficiency programs overseen by the Energy Conservation Management Board (ECMB) and administered by Connecticut Light & Power (CL&P), United Illuminating (UI) and the Connecticut Municipal Electrical Energy Cooperative (CMEEC).⁶ Twenty-three percent of proceeds support renewable energy programs administered by the Connecticut Clean Energy Fund (CCEF). The Connecticut Clean Energy Fund (CCEF) was created by the state legislature and is charged with developing, investing in and promoting clean, sustainable energy sources. The CCEF invests in enterprises and projects through initiatives aimed at:

- Creating a diverse and growing supply of clean energy in Connecticut;
- Accelerating the development of clean energy technologies in Connecticut; and,
- Educating Connecticut consumers about the benefits and availability of clean energy.⁷

⁵ In accordance with DES decision issued Decmeber 2009

⁶ The most recent ECMB annual report is available at

www.ctsavesenergy.org/.../2008%20ECMB%20Annual%20Legislative%20Report.pdf.

⁷ [The Power to Make a Difference, Annual Report of Activities, 2009](#), Connecticut Clean Energy Fund.

Delaware

Under Delaware's CO₂ Budget Trading Program Regulations, and as directed by [Senate Bill No. 263: An Act to Amend Title 7 of the Delaware Code Relating to RGGI and CO₂ Emission Trading Program](#), approximately 65 percent of the state's auction proceeds are directed to the new Sustainable Energy Utility, the entity tasked with providing energy efficiency and renewable energy programs for households and businesses.⁸

Fifteen percent of Delaware's auction proceeds are directed to low income consumers through programs administered by the Department of Health and Social Services. These programs include the federally funded and state administered Weatherization Assistance Program (WAP)⁹ and the federally funded and state administered Low Income Home Energy Assistance Program (LIHEAP) programs.

In addition, up to 10 percent of Delaware's auction proceeds will be used for greenhouse gas reduction projects selected by the Secretary following a periodic competitive proposal process. Projects must result in quantifiable and verifiable reductions in greenhouse gas emissions in Delaware not otherwise required by federal or state law and not receiving funding from any other state sources. The remaining 10 percent may be used to administer RGGI and climate change programs.

Maine

Proceeds from the sale of Maine's RGGI CO₂ allowances are allocated according to [Title 35-A §10008](#), which establishes The Maine Energy and Carbon Savings Trust and directs Trustees to invest RGGI auction proceeds in electric and fossil fuel energy efficiency programs. To date, the Trust has invested \$3.5 million in its [Industrial Energy Efficiency Grant Program](#),¹⁰ a program to provide grants between \$100,000 and \$1 million for large-scale energy efficiency projects, including combined heat and power (CHP) systems. In 2009, a total of 16 grants were awarded, six of which were funded by RGGI. The 6 RGGI projects will avoid more than 367,560 metric tons of CO₂ over their lifetime. An additional \$5.8 million was allocated to the Efficiency Maine Business Program¹¹, a program to provide prescriptive and custom incentives for businesses to replace out of date equipment and upgrade to energy-efficient alternatives. Allocations of \$2.9 million were made to the Efficiency Maine [Residential Lighting Program](#)¹² and Efficiency Maine [Appliance Rebate Program](#).¹³ These programs are designed to reduce energy demand and provide sustained energy cost savings for Maine consumers. An additional \$650,000 has been allocated for low-income weatherization projects.¹⁴

Maryland

Maryland is using proceeds from the sale of RGGI CO₂ allowances to establish the Strategic Energy Investment Fund (SEIF), a special, non-lapsing fund administered by the Maryland Energy Administration (MEA). The Maryland Energy Administration (MEA) proposes to use the SEIF to offer a range of incentives and resources directly to Maryland consumers, businesses and communities to help decrease energy bills and increase the supply of clean, renewable energy. The Strategic Energy Investment Act of 2008 requires that the Fund be allocated annually as follows:

⁸ Visit <http://www.seu-de.org/index.html> for more information on the Sustainable Energy Utility.

⁹ For more information on the Delaware Weatherization Assistance Program, visit <http://www.dhss.delaware.gov/dhss/dssc/weatheriz.html>.

¹⁰ See <http://www.maine.gov/tools/whatsnew/index.php?topic=Portal+News&id=88109&v=article-2008>.

¹¹ See <http://www.energymaine.com/at-work/business-programs/cash-incentives>.

¹² See <http://www.energymaine.com/at-home/residential-lighting-program>.

¹³ See http://www.energymaine.com/at-home/appliance_replacement_program.

¹⁴ For the [Efficiency Maine 2009 Annual Report](#) visit www.energymaine.com/docs/em_annualreport2009_final.pdf.

- 23% - Residential Rate Relief ;
- 17% - Low Income Energy Assistance;
- 46% - Energy Efficiency, Conservation & Demand Response Programs (of which half must be used on low and moderate income families);
- 10.5% - Clean Energy & Climate Change Programs as well as Outreach & Education; and,
- 3.5% - Administration of Fund.¹⁵

Massachusetts

Massachusetts, through the Department of Environmental Protection (DEP) and the Department of Energy Resources (DOER), has developed a plan for the distribution of RGGI auction proceeds to a range of consumer benefit programs, with the largest distribution going to utility-administered energy efficiency programs. As directed by [Chapter 169 of the Acts of 2008: An Act Relative to Green Communities](#) (the Green Communities Act¹⁶), at least 80% of the state's 2010 RGGI proceeds will be dedicated to energy efficiency programs developed in the new, unprecedented, and aggressive statewide three-year Energy Efficiency Investment Plans:

- Energy Efficiency in Massachusetts: Our First Fuel (DOER)
- Massachusetts Joint Statewide Three-Year Electric Energy Efficiency Plan
- Massachusetts Joint Statewide Three-Year Gas Energy Efficiency Plan
- Three-Year Energy Efficiency Plan Orders (DPU)¹⁷

New Jersey

Proceeds from the sale of New Jersey's RGGI CO₂ allowances are allocated according to [Chapter 340; N.J.S.A. 26:2C-45: the New Jersey Global Warming Solutions Fund Statute](#), which directs 60 percent of proceeds to the New Jersey Economic Development Authority (EDA) for end-use energy efficiency, combined heat and power, and renewable energy project loans and grants in the commercial, institutional, and industrial sectors. Through April 2010, eight projects have received grants or loans for combined heat and power (CHP) systems, commercial-scale solar electric systems and a feasibility study for an offshore wind turbine installation. The funded CHP and solar-electric systems represent 14 MW of new, clean generation capacity.

Twenty percent of RGGI proceeds are allocated to the New Jersey Board of Public Utilities (BPU) to support programs to reduce electricity costs or electricity demand for low- and moderate-income residential electricity customers. The remaining twenty percent of proceeds are allocated to the New Jersey Department of Environmental Protection (DEP) to support local government programs to implement greenhouse gas emissions reduction measures (10%) and programs to enhance forest stewardship and tidal marsh restoration that provide important opportunities to sequester carbon (10%).

The DEP, EDA and BPU are coordinating to allocate proceeds from the sale of RGGI auctions to eligible consumer benefit projects. As required by the statute, DEP has [proposed rules](#) to establish guidelines and a priority ranking system that all three agencies will apply in allocating auction proceeds.¹⁸

¹⁵ For more detail visit www.energy.state.md.us/.../MDStrategicEnergyInvestmentFund.pdf.

¹⁶ See <http://www.malegislature.gov/Laws/SessionLaws/Acts/2008/Chapter169>.

¹⁷ For more information on Massachusetts' programs visit http://www.mass.gov/?pageID=eoeeamodulechunk&L=3&L0=Home&L1=Air%2C+Water+%26+Climate+Change&L2=Climate+Change&sid=Eoeea&b=terminalcontent&f=doer_rggi_rggi-auction-proceeds&csid=Eoeea.

New York

New York State, through the New York State Energy Research Development Authority, the Department of Environmental Conservation, and the Public Service Commission, has developed an "[Operating Plan](#)" for investing auction proceeds in consumer benefit programs. The Operating Plan directs proceeds to a wide range of programs designed to support residential, commercial, industrial energy efficiency; research, development and deployment of clean and renewable technologies; workforce development; capacity building; and educational initiatives.¹⁹

The RGGI proceeds investment goals are to reduce the cost of complying with the CO₂ Budget Trading Program and advance the State's broad energy goal of moving toward a clean energy economy by reducing GHG emissions in the near-term and establishing the capacity for further reductions in the long-term.

New York already has robust electric energy efficiency (System Benefits Charge and Energy Efficiency Portfolio Standard) and renewable energy programs (Renewable Portfolio Standard). RGGI proceeds will supplement these initiatives while allowing New York to pursue a broader array of GHG reduction opportunities across sectors.

While the majority of funds will be directed at cost-effective near-term reductions, at least 25 percent will address areas that require longer investment horizons. Funds will also be used to leverage additional GHG reductions by establishing the commitments and capacity to curtail GHGs in State, regional, municipal, and other government institutions. A number of initiatives that can help reduce the disproportionate energy cost burdens and harmful environmental impacts on low-income families and environmental justice communities are also included in the portfolio of programs.

This comprehensive strategy is designed to deliver immediate benefits to New York consumers while also guiding New York toward a clean energy economy and positioning the State to pursue the aggressive carbon reduction framework needed to ensure a stable climate.

Rhode Island

Rhode Island, through the Office of Energy Resources in consultation with the Department of Environmental Management and the Energy Efficiency and Resources Management Council, has proposed rules for the distribution of RGGI auction proceeds to consumer benefit programs. The proposed [Plan for the Allocation and Distribution of Regional Greenhouse Gas Initiative Auction Proceeds" \(March 2009\)](#)²⁰ directs 60 percent of proceeds to expand existing, successful, and cost-effective energy efficiency projects and programs supported by the Least Cost Energy Efficiency Utility Account.

As of July 2010, Rhode Island has committed \$3.95 million to the Least Cost Procurement Energy Efficiency Utility Account at National Grid. Funds are being used to supplement and expand a wide variety of energy efficiency programs, including: home energy audits, Energy Star lighting and appliance

¹⁸ For more information on New Jersey's use of RGGI auction proceeds, visit http://www.njeda.com/web/Aspx_pg/Templates/Npic_Text.aspx?Doc_Id=1078&menuid=1360&topid=722&levelid=6&midid=1357 and <http://www.nj.gov/dep/opsc/index.html>.

¹⁹ For more information visit <http://www.nyserda.org/RGGI/proceeds.asp>.

²⁰ Available at www.energy.ri.gov/documents/Proposed.pdf.

rebates, high-efficiency heating, water heating and controls incentives, Energy Star central air conditioning rebates, and energy efficiency educational programs.

The remaining 40 percent of Rhode Island's RGGI proceeds are committed to support new partnerships, research and financing options that can drive energy efficiency program development and broaden energy savings for Rhode Islanders.

Vermont

Title 30 V.S.A. § 235 directs proceeds from Vermont's sale of RGGI allowances to programs that support whole building heating and process energy efficiency and facilitate appropriate fuel switching. Half of these programs are tailored to benefit low-income residential consumers. In 2010, Vermont invested RGGI proceeds in the [Vermont Community Energy Mobilization Project](#)²¹, a volunteer-based program to install simple, cost-effective energy efficiency measures in homes across the state. Through July, 2010 more than 200 volunteers visited approximately 450 homes in Bennington, Brattleboro, Shelburne, Charlotte, Underhill, and 14 towns in Rutland County." Data from 240 homes indicates that occupants significantly reduced their energy consumption – saving a collective total of 105,033 KWh. It is anticipated that final project results should be close to double these results. Vermont has also invested RGGI proceeds to provide improved incentives for comprehensive residential retrofits through [Efficiency Vermont's Home Performance with ENERGY STAR service](#).²² Funds have enabled Efficiency Vermont to provide incentives of up to \$2,500 for comprehensive retrofits that address both electric and non-electric energy efficiency needs. In 2009, Vermont invested RGGI proceeds to provide improved incentives for energy efficiency retrofits to lower and middle-income families.²³

New Hampshire

New Hampshire has used RGGI auction proceeds to establish the Greenhouse Gas Emissions Reduction Fund (GHGERF). The fund supports energy efficiency, conservation, and demand response programs to reduce greenhouse gas emissions generated within New Hampshire, as well as administrative costs.

The administration of the GHGERF is governed by [Chapter Puc 2600: Greenhouse Gas Emissions Reduction Fund](#), which directs a minimum of 10 percent of program allocations to low income energy efficiency programs. The balance of the funds may be allocated to electric and fossil fuel energy efficiency programs. These programs include, but are not limited to: energy audits, weatherization programs, energy efficiency related workforce development, revolving loan funds for energy efficiency investment, deployment of industrial process and control systems, passive solar heating and ventilation, building code compliance, improvements to electric and thermal efficiencies of existing buildings, retrofitting of housing, education and outreach, and demand response programs to reduce peak load. The PUC adopted final rules for the administration of the Greenhouse Gas Emissions Reduction Fund (GHGERF) in December 2009.

In 2010 the General Court also appropriated \$3.1 million from the GHGERF toward reduction of a shortfall in the General Fund budget.

²¹ See http://www.encyvermont.com/pages/Residential/Home_Heating/VermontCommunityEnergyMobiliza/

²² Visit

<http://encyvermont.com/pages/Residential/SavingEnergy/HomePerformanceWithENERGYST/HomePerformanceFinancing/>

²³ For additional information on Vermont's use of auction proceeds visit <http://psb.vermont.gov/docketsandprojects/eeu/7495>.

2009 GHGERF Grand Award Activity Summary.

New Hampshire's first \$1.2 million in auction revenue was allocated by the legislature to expand low income weatherization services for the 2008-09 heating season. In 2009, New Hampshire conducted a request for proposals (RFP) resulting in the allocation of an additional \$17.6 million to 30 programs that engage non-profits, utilities, businesses, residents, municipalities, universities, and K-8 schools to reduce emissions through increased energy efficiency; energy education and outreach; benchmarking; and green workforce development.²⁴ The RFP was developed in consultation with the state's Energy Efficiency and Sustainable Energy (EASE) Board, created by the legislature in 2008 *"to promote and coordinate energy efficiency, demand response, and sustainable energy programs in the state."*

Of the 30 programs funded through 2009, eleven have completed the conditions of their grant. These were relatively small scale grants supporting energy audits and projects that were quickly implemented. The one exception is the UNH-Carbon Solutions New England program that is providing detailed measurement and verification on the other 29 GHGERF 2009 grants.²⁵ Table 2 on page 16 summarizes the completed GHGERF projects.

Nineteen other grants are currently in process. Those grants include two revolving loan funds, five grants that provide education and outreach to a number of sectors, six grants to the commercial and non-profit sectors, five grants for municipal projects, and one grant to fund the expansion of the CORE energy efficiency program managed by the state's electric utilities. A synopsis of each of the grants follows.²⁶

Revolving Loan Fund Grants

- The Business Finance Authority (BFA) received \$2,000,000 in funding to seed a revolving loan fund (RLF) for businesses. To date the fund has provided loans (that would not have been available through traditional lending institutions) to Foss Manufacturing and Vitex Extrusion. Foss used the RLF to update lighting throughout its facility, improve electrical distribution within the plant to eliminate a number of backup diesel generators, and upgrade inefficient DC motors on its production lines. Foss has already begun to begin repaying the revolving loan fund. Vitex is using RLF funding to both replace an inefficient (28 percent) gas furnace used to heat aluminum billets and to complete equipment upgrades to allow for increased production while reducing scrap material. Based on these existing projects, the BFA projects that each \$1,000,000 of GHGERF funding will yield annual energy savings of 16,162 MMBtus.
- The New Hampshire Community Development Finance Authority (CDFA) is using \$1.5 million of GHGERF funds to provide the initial capitalization needed to develop a RLF to aid municipalities in building upgrades and retrofits for increased energy efficiency. The CDFa plans to grow this loan fund to a \$3 million corpus where it will reach a level of self-sufficiency.

²⁴ For more information visit <http://www.puc.nh.gov/Sustainable%20Energy/GHGERF%202009%20Grantees.htm>.

²⁵ The CSNE Contract culminated in September, 2010; they are now continuing their measurement/verification assessments under a separate contract with the PUC.

²⁶ For contract details and quarterly reports for all the GHGERF grants visit <http://www.nhsaves.com/HeatingRebate/>.

Table 2: 2009 GHGERF Projects Completed				
Grantee	Month of Completion	Project Summary	Estimated GHG Reductions (metric tons/yr)	Grant Award
Crotched Mountain Rehab. Center	Nov-09	connection of residential building to central biomass district heating system	252.6	\$176,531
Fraser Paper	Dec-09	5 projects to reduce use of #6 oil by over 700,000 gal/yr.	8,600	\$470,000
SAU 46	Nov-09	link SAU office to existing biomass heating plant, add new controls & upgrade lighting.	1.54	\$83,685
Town of Gorham	Dec-09	replacement of heating system with wood pellet boiler	1.43	\$26,000
Town of Jaffrey	Sep-10	energy audits	N/A	\$16,250
Town of Hancock	Sep-10	energy audits	N/A	\$8,500
Town of Fremont	Jun-10	insulate and weatherize Safety Complex	6.35	\$8,000
Town of Walpole	Sep-10	air-sealing, insulation, window & door retrofit for municipal buildings	48.7	\$138,345
Town of Warner	Jun-10	energy audits	N/A	\$11,150
NH Institute of Art	Nov-09	geothermal wells, vegetated roof, & premium building envelope measures	100.28	\$146,060
UNH CSNE	Sep-10	measurement & verification of GHGERF grants	N/A	\$813,402
Total GHG Reductions in Metric Tons			9,010.9	
Total GHGERF Funding Awarded				\$1,886,773

Education and Outreach Grants

- The New England Carbon Challenge (NECC), a joint initiative of UNH, Clean Air-Cool Planet and its partners, the NH Sustainable Energy Association and UNH Cooperative Extension was awarded a two year \$813,402 grant, to develop a new suite of web-based tools to enable households to reduce their energy consumption. These tools are being made available through the new website [My Energy Plan.](http://myenergyplan.net/)²⁷ This searchable web-based tool provides homeowner with a customized report on available rebates and incentives as well as a detailed list of energy efficiency and sustainable energy technology contractors. As of October, 2010 the My Energy Plan database includes 110 sustainable energy companies and 32 federal, state, and utility incentives. Since April 15, 2010, the website has received 3508 visitors (5758 total visits) from 111 NH cities and towns. The Energy Project Connector has been used by 1170 people to locate sustainable energy businesses and by 565 people to find federal, state, and utility incentives to reduce the cost of

²⁷ <http://myenergyplan.net/>.

energy improvements. Since the release of the Personal Energy Planner in late July 2010, 346 people have created an energy plan for their household and the energy reducing actions these households have indicated they will take will reduce carbon dioxide emissions by an estimated 2.3 million pounds of CO₂/year and collectively save these households \$284,853 per year in reduced energy costs.

- The Southern New Hampshire Conservation & Development Area Council received a GHGERF grant of \$87,000 and is using a two-pronged approach to work with the agricultural community:
 - The first is education and outreach about farm energy issues. This education and outreach has been provided to technical service providers trained in Train-the-Trainer workshops. These in-state professionals are providing up to 10 workshops to agricultural business owners and operators.
 - The second is to provide 25 farms with full energy audits to provide in-depth, specific information to farmers while providing demonstration sites for other farmers to learn about the energy audit process and achievable results. Audits are currently underway.
- The North Country Resource Conservation and Development Area Council was awarded a grant of \$43,850 to educate targeted towns in the North Country on the steps needed to pursue district heating and power opportunities. The project will provide communities with critical information needed to move from general planning efforts towards implementation. This project follows on significant activities conducted during 2008 including the Community Scale Wood Biomass Project, the Groveton Distributed Energy and District Heating Feasibility Study, the Energy Component of the Coos County Economic Action Plan and the formation of the NH Wood Biomass Heat and Power Task Force.
- The Department of Resources & Economic Development (DRED), in partnership with the Lakes Region Community College (LRCC) received \$174,000 to develop a new training program to help develop a skilled labor force for energy efficiency improvements to buildings. LRCC is offering a Building Analyst course to train energy auditors at its campus and at 5 other community colleges (or other locations around the state). Through the first two quarters of the grant, 84 students were enrolled in the first six sessions offered in Laconia, Littleton, Nashua and Concord. Of these students, a total of 64 passed both a written and a field test to become Building Performance Institute (BPI) certified Building Analysts, representing an 85 percent success rate for those who chose to take the certification tests. Scholarships of up to 50 percent have been offered to ensure that the program is affordable. DRED/LRCC is also conducting “train the trainer” sessions to increase the instructor pool in New Hampshire, and is planning to partner with the Plymouth Area Renewable Energy Initiative to establish internships for newly trained workers.
- The Home Builders & Remodelers Association of NH’s (HBRANH) educational arm, the Construction Institute of NH (CINH) was awarded \$178,169 to:
 - Provide training to building professionals so they can design, build and remodel New Hampshire homes to meet the National Green Building Standard™ thereby significantly reducing energy consumption and greenhouse gas emissions; and,
 - Educate homeowners, buyers and occupants, as well as municipalities and the real estate, appraisal and banking industries, about the benefits of homes built to green standards.

Commercial & Non-Profit Sector Grants

- With a \$148,927 grant, Stonyfield Farm, Inc. is upgrading controls on a variety of plant utility systems to improve overall plant efficiency. Implementation of this program is expected to result in a decrease of CO₂ emissions by approximately 1,436,600 pounds per year.
- The Retail Merchants Association of New Hampshire (RMANH) received a grant of \$1,372,028 for their first year of a multi-year effort to give RMANH members and other similarly situated businesses who own (or in some cases lease) commercial buildings, the tools they need to implement energy efficiency, conservation, and demand response programs to reduce their greenhouse gas emissions from use of fuel oil and other energy sources. Results to date include: 25 retailers received free energy audits; 13 received in-depth “level 2” audits which required a 25 percent co-pay; and, 6 businesses have begun comprehensive energy retrofits.
- Dartmouth College received a grant of \$330,936 to develop a campus energy and sustainability management system. The College estimates it will achieve a 10 to 15 percent reduction in the college's total greenhouse gas emissions (an estimated 11.506 metric tons of carbon dioxide equivalent annually) through improved building energy performance, campus smart-grid technology, and innovative energy feedback systems.
- Propell Energy received a grant of \$49,885 to install a 1,000,000 BTU/Hr Pellet Boiler in the existing Science Center at New England College. Implementation of this program is expected to result in a decrease of CO₂ emissions by approximately 492,000 pounds per year and provide an annual cost savings of over \$25,000.
- The Plymouth Area Renewable Energy Initiative (PAREI) received \$99,250 in grant funding to expand the grassroots organization’s successful “House Warming” programs by providing homeowners with the technical information and volunteer support to install solar hot water systems and to weatherize homes. PAREI has exceeded its goals of weatherizing ten homes and installing ten solar hot water systems. PAREI is also offering energy refrigerator replacements. PAREI currently operates in Plymouth and ten other towns, and the expansion of this program has enabled PAREI to receive national recognition, and bring its programs to other communities including Exeter, Berlin and Laconia.
- Chosen Vale, Inc dba the Enfield Shaker Museum received a grant of \$51,354 to upgrade heat recovery ventilators. Chosen Vale is now in the process of installing a direct-vent, forced hot water heating system with panel radiators in three rooms on the first floor.

Municipal Grants

- With a grant of \$394,000, the City of Rochester is in the process of improving its wastewater treatment facility's aeration system. The City is replacing one constant speed blower with a single stage centrifugal type blower. Implementation of this program is expected to result in a decrease in more than 513,000 pounds per year of CO₂ and reduce operating costs by \$45,200 per year.
- The Town of Temple received a grant of \$332,100 to conduct a residential weatherization project, a low-income home winterization project, a land use and climate connection project, a pilot recycling project, and an energy conservation education and outreach project for the residential sector. Reductions in CO₂ are estimated to be over 530,000 pounds per year.
- TRC Companies, Inc. received a grant of \$499,948 to launch a benchmarking initiative to measure the energy performance of 250 public K-12 schools. Participating schools receive a report describing energy use, costs and emissions for each building and compare the data to the average or

mean of other New Hampshire schools. The report also provides recommendations for immediate strategies to reduce energy use and links to utility efficiency programs and other efficiency-related initiatives and funding sources. Schools that wish to pursue detailed energy audits are provided with referrals. As of June 30, 2010, TRC had benchmarked 62 schools representing 20 school districts and 18,334 students. This represents over 3.5 million square feet of building space, an annual electric consumption of over 21 million kWh and an annual fuel consumption of 172,000MMBTU. TRC estimates potential annual electric savings of over 4 million kWh, potential annual fuel savings of 34,300 MMBTU, and potential GHG reductions of over 4.5 metric tons per year.

- Clean Air – Cool Planet (CA-CP) received a grant of \$400,000 to compile baseline greenhouse gas emissions inventories for each of the 24-48 selected municipalities and coordinate energy audits. CA-CP has completed a baseline inventory for 47 municipalities and is close to finishing six policy audits to identify changes to the towns’ regulatory frameworks that might reduce greenhouse gas emissions. CA-CP is also close to completing energy audits for one municipal building in each of the 47 selected towns and is working with local energy committees by offering education, outreach and guidance on energy efficiency measures. CA-CP’s long term goal is to reduce energy use in the targeted buildings by 50 percent; it is estimated that participating towns would avoid 545 metric tons of greenhouse gas emissions annually.
- LighTec received a grant of \$316,000 to increase the energy efficiency of 13 educational facilities, three municipalities and two industrial businesses in New Hampshire. LighTec is also performing three investment-grade energy audits, analyzing all major energy-using equipment and systems and providing engineered recommendations to clients. In addition, where possible, LighTec is providing training to students, faculty and maintenance employees regarding the energy efficiency projects taking place in their buildings. LighTec estimates this project will reduce CO₂ emissions by 824 metric tons annually.
- The largest GHGERF award of \$7,646,020 was granted to the state’s four electric utilities, Public Service Company of NH (PSNH), Unitil Energy Systems, Inc. (Unitil), National Grid (NGRID), and the New Hampshire Electric Cooperative (NHEC), to expand the “CORE” efficiency programs and offer new programs to reduce energy costs and greenhouse gas emissions by an estimated 104,666 metric tons of CO₂ annually. The CORE programs provide products and services tailored for business, residential, and income-eligible customers. Highlights of the program include:
 - The distribution of 760 kill-a-watt monitors to the State Library and 235 city and town libraries around the state as part of a “Cut the Carbon” kit. This program is designed for any resident of the state to be able check out a meter free of charge to help them identify how much power is consumed by a variety of appliances used in their home or office. This meter allows people to discover the true cost to operate a toaster, TV, computer, microwave, dehumidifier, primary or secondary refrigerator, etc. The meter also identifies any “phantom loads” or items that consume power even while turned off yet still energized
 - Increased funding for energy efficient residential Energy Star Lighting Program enabled NGRID, NHEC, and Unitil to provide rebates for customers purchasing 58,121 Energy Star lighting products. The development of a turn-in/recycle component for room air conditioners and second refrigerators and freezers. The refrigerator/freezer turn-in program recycled more than 700 units and sold out the program in four weeks.
 - The expansion of the Energy Star Homes Program to give homeowners the option of participating in the National Green Building Program developed by the National Association of Home Builders. The fuel-neutral home weatherization services through the Home Energy Solutions Program for multi-family facilities larger than 4 units and some single family homes

has completed 290 single and multi-family homes with 113 single and multi-family homes in various stages of completion.

- Increased spending for weatherization in low income homes through the Home Energy Assistance Program provided for the weatherization of 466 low income homes, saving customers 15 percent on their annual energy bill.
- Increased spending for both large and small business energy efficiency projects as well as new equipment and new construction energy efficiency projects has resulted in the completion of 86 projects for business and municipal customers saving them more than 100 million kWhs.
- Energy Code Training, Building Operator Certification (BOC), and BPI Building Analyst training course development have provided educational training for approximately 250 building trade and code enforcement professionals.
- A revolving loan fund for on-bill financing. Utility billing systems have been modified and are ready to handle on-bill financing.

2010 GHGERF Grand Award Activity Summary.

In May 2010 the PUC issued its second Request for Proposals. The three program areas targeted through the second RFP include:

1. Program continuation for entities that:
 - a. Applied for and received a grant from the GHGERF in 2009;
 - b. Submitted multi-year program budgets or plans in their 2009 grant proposal; and,
 - c. Demonstrated success in implementing their proposal.
2. Programs that will establish a portfolio of energy efficiency projects at large energy user sites to produce energy savings and greenhouse gas reductions; and,
3. Programs that will significantly improve energy efficiency and reduce greenhouse gas emissions in affordable housing.

On June 1, 2010, the PUC received 29 proposals requesting over \$78 million.

The May 2010 RFP was circulated electronically to a list of more than 900 individuals and organizations known to have an interest in energy policy and programs, including members of the EESE Board; posted on the PUC and Office of Energy and Planning websites; advertised in the Union Leader on February 28, April 1 and April 2; and announced via press release to major media outlets in the state.

The PUC formed a two-tier grant review process. An initial committee evaluated each of the 29 proposals that were submitted. The committee consisted of representatives of the Office of Energy & Planning, the Department of Environmental Services, and the PUC (Sustainable Energy Division) . Their recommendations were provided to the PUC Commissioners (Chairman Thomas Getz, and Commissioners Clifton Below and Amy Ignatius) for final review. At the time of this report, final decisions are still being determined on grant funding for 2010.

Actual and projected revenue and allocations of the GHGERF.

Actual and projected revenue and allocations of the GHGERF are detailed in Table 3 on page 21.

Table 3: Summary of Actual and Projected Revenues into the GHGERF			
Description	Revenue	Allocation/ Expense	Resulting Balance in GHGERF
FY 2009 Balance Forward	7,078,670.20		\$7,078,670
Total From FY 2010	\$15,893,273		\$22,971,943
OEP Stay Warm	\$160,553		\$23,132,497
FY 2010 Admin Costs (PUC, DES & RGGI, Inc. dues)		\$316,798	
FY 2010 Grants/Awards Paid		\$12,158,749	
FY 2010 Total Expenses		\$12,475,547	\$10,656,950
FY 2010 Encumbered Grants		\$2,197,823	\$8,459,127
Transfer to General Fund		\$3,100,000	\$5,359,127
September Auction (2011)	\$2,186,253		\$7,545,380
FY 2011 Admin. Budget + Consult.		\$790,178	
FY 2011 Grants/Awards		\$3,173,486	
Total FY 2011 Allocations		\$3,963,664	\$3,581,716
FY 2012 Allocations (Grants/Awards + Consult.)		\$149,250	
Available for Grants/Awards (Uncommitted)			\$3,432,466
	# of Allowances or Revenue		Resulting Balance in GHGERF
RGGI Allowance Projections			
NH Annual Allowance Budget	8,620,460		
RSA 125-O:25 Voluntary RECs Set Aside	86,205		
RSA 125-O:22 VI. OP4 Emergency Set Aside	86,205		
RSA 125-O:24 VI. PSNH Set Aside	1,566,872		
Annual Allowances	6,881,179		
Quarterly Allowances	1,720,295		
Auction 10 (Dec 10) Assumed Proceeds*	\$2,399,811		\$5,832,277
Auction 11 (Mar '11) Assumed Proceeds*	\$2,399,811		\$8,232,088
Auction 12 (Jun '11) Assumed Proceeds*	\$2,399,811		\$10,631,899
Auction 13 (Sep '11) Assumed Proceeds*	\$2,399,811		\$13,031,711

* Assuming 75 percent of quarterly allowances sold at the floor price of \$1.86. Actual results are likely to vary.

RSA 125-O:23, III and Puc 2603.01 provide that at least 10 percent of the moneys allocated from the GHGERF must be used to assist low-income residential customers to reduce total energy use including heating fuels and to foster the development and retrofitting of highly efficient and affordable housing. As noticed in its May 5, 2010 RFP, the Commission intends to fund programs that will improve energy efficiency and reduce GHG emissions in the affordable housing sector.

Proposed Federal CO₂ Cap and Trade Program Impacts

RGGI is the first cap and trade program for greenhouse gases in the United States, and offers valuable experience for a strong national program to address climate change. The states set out to establish a program that could serve as a working model for national legislation and RGGI has done that. Key design aspects of RGGI, such as allowance auctions, are influencing the federal discussion, and lessons learned from RGGI will strengthen the federal program. Two prominent pieces of climate legislation targeted at economy wide reductions of carbon dioxide were:

- HR 2454, the American Clean Energy and Security Act ("ACES", also commonly referred to as the Waxman-Markey bill) passed in the House of Representatives in August 2009
- The Clean Energy Jobs and American Power Act (the Boxer-Kerry bill) introduced in the Senate

DES, the PUC, and the Governor's office, in conjunction with other RGGI states, have provided comments on and will continue to monitor federal legislative efforts in association with national and regional organizations.

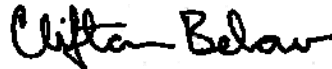
Until federal legislation passes, uncertainty may continue to impact the RGGI market. RGGI allowance prices may remain lower than they otherwise would be and/or allowances not be purchased, because regulated compliance entities could have concern that allowances banked for future use may be rendered useless, or at least not fully compensated for.

Should you have any questions or need further information regarding the issues discussed in this report please feel free to contact us: Robert Scott, Air Resources Division Director (271-1088, robert.scott@des.nh.gov), Clifton Below, PUC Commissioner (271-2431, Clifton.Below@puc.nh.gov), Michael Fitzgerald, Air Resources Division Technical Services Bureau Administrator (271-6390, michael.fitzgerald@des.nh.gov), Joe Fontaine, Air Resources Division Trading Programs Manager (271-6794, joseph.fontaine@des.nh.gov), or Jack Ruderman, PUC Sustainable Energy Director (271-2431, Jack.Ruderman@puc.nh.gov).

Sincerely,



Robert R. Scott
Director, Air Resources Division, NHDES



Clifton C. Below
Commissioner, NHPUC

Attachments:

RGGI Fact Sheets
Market Monitor Report for Auction 9

cc: HB 1434 (2008) Sponsors
DES Commissioner Thomas S. Burack
Public Utilities Commission Chairman Thomas B. Getz
Air Resources Council