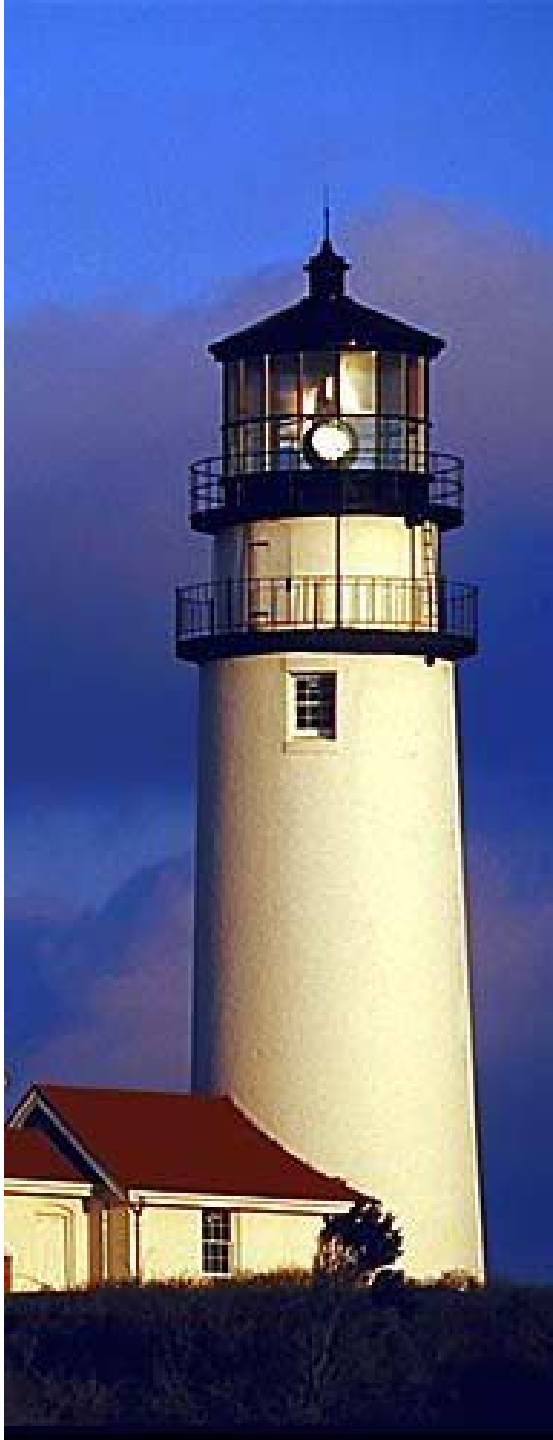
# *Summary of the 2008 Green Communities Act*

*July 9, 2008*

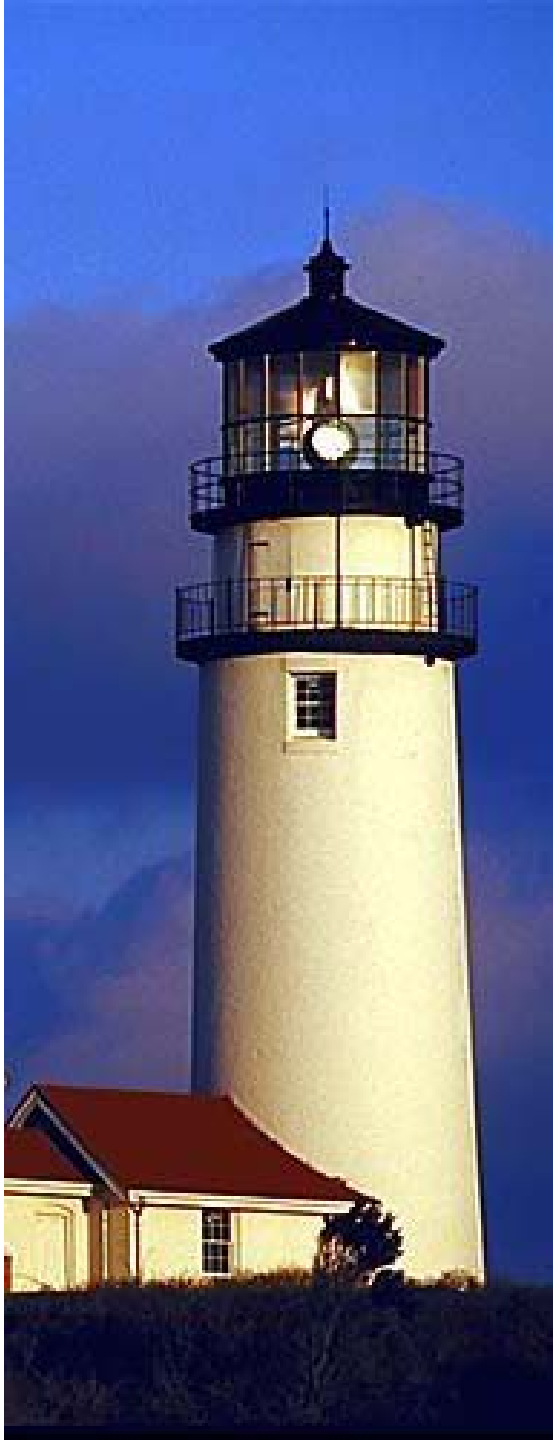
**Maggie Downey**



***Rev. 1***

# Background
# 2008 Green Communities Act

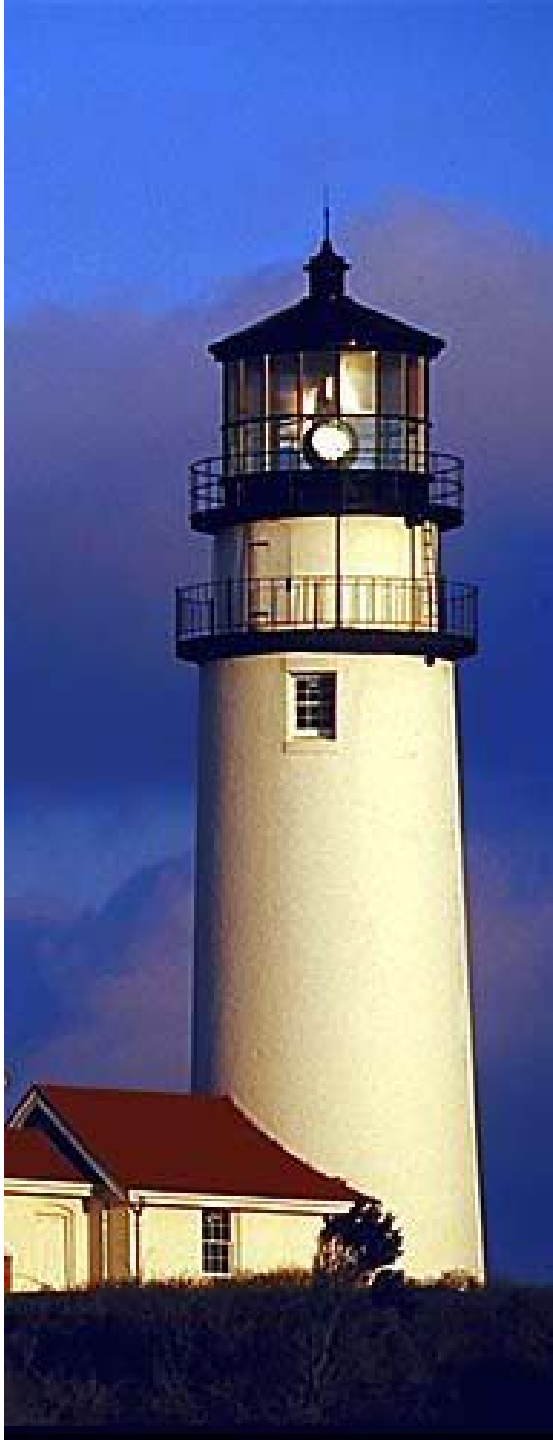
- House Speaker Salvatore DiMasi introduces the Green Communities Act in March 2007
- The Cape Light Compact joins the SAVE Energy Coalition, a group consisting of utilities, advocates, and environmentalists to provide input and influence on the bill
- After months of negotiations within the Coalition and with House members on various issues, House Bill 4373 passes on November 14, 2007
- The Senate, leveraging off the House Bill, passes Senate Bill 2457 on January 9, 2008
- Bill is sent to Conference Committee for resolution of conflicting language and approved as Senate Bill 2768 on June 26, 2008
- Governor signs into Law on July 2, 2008



# Major Provisions: Energy Efficiency

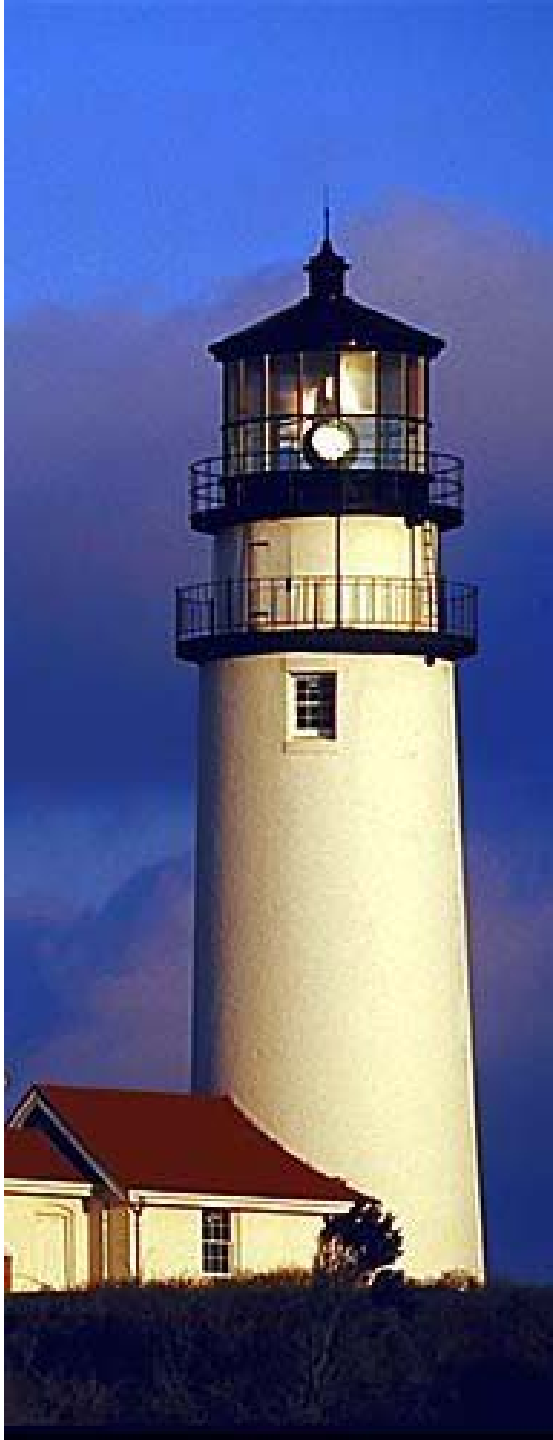
- Requires CLC* and utilities to increase investment in energy efficiency and demand response programs that are less expensive than supply before more expensive generation can be purchased
- CLC and electric distribution companies to jointly file an Energy Efficiency Investment Plan by April 30, 2009 and every 3 years thereafter
- CLC and NSTAR coordinate reconciling funding mechanism for DPU approval
- Additional programs to be funded by:  Forward Capacity Market, RGGI, and distribution rates
- CLC is an ex-officio/non-voting member of newly created Energy Efficiency Advisory Council

*Bill references municipal aggregators that applies to CLC.



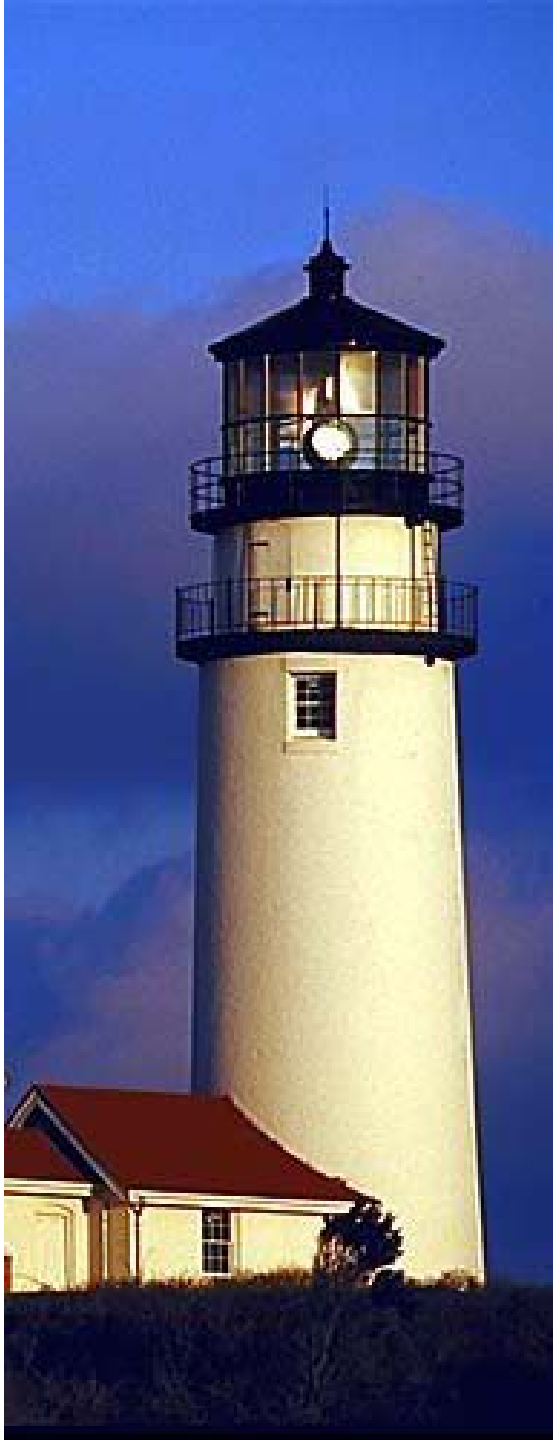
# Major Provisions: Renewable Portfolio Standards for Suppliers

- Creates two classes of compliance
  - Class I: Facilities operational after 12/31/97. Includes wind, solar, new hydro, low emissions biomass. 15% of energy sales by 2020.
  - Class II: Facilities operational before 12/31/97. Includes existing low emissions biomass and existing hydro. Compliance requirements to be set by DOER
- Creates a new Alternative Energy Portfolio Standard. Includes coal gasification and sequestration, CHP, flywheel energy storage and energy efficient steam. Compliance requirements to be set by DOER
- Allows Alternative Compliance Payments



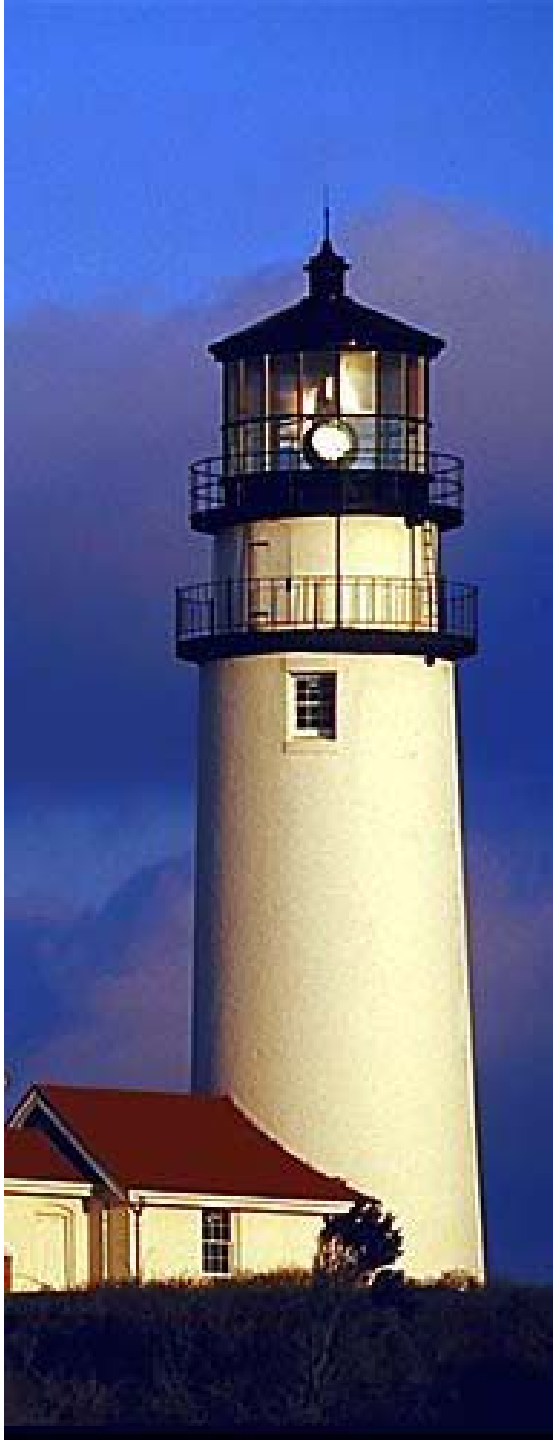
# Major Provisions – Long Term Renewable Contracts for Distribution Companies

- Establishes a 5 year pilot program for distribution companies to enter into long term contracts for renewable energy and RECs.
  - Long term contracts are defined as having terms of 10 to 15 years
  - Contracts shall not exceed 3% of the utility's total energy demand
  - Energy can be used for resale to its customers (basic service) or sold into the market. RECs can be used for RPS.
  - If energy is sold, difference in price between market and the contract price will be credited/debited to all distribution customers
  - Utility will receive 4% of the annual payments under the contracts as compensation to the company for accepting the financial obligation of the long term contract i.e. shareholder incentive



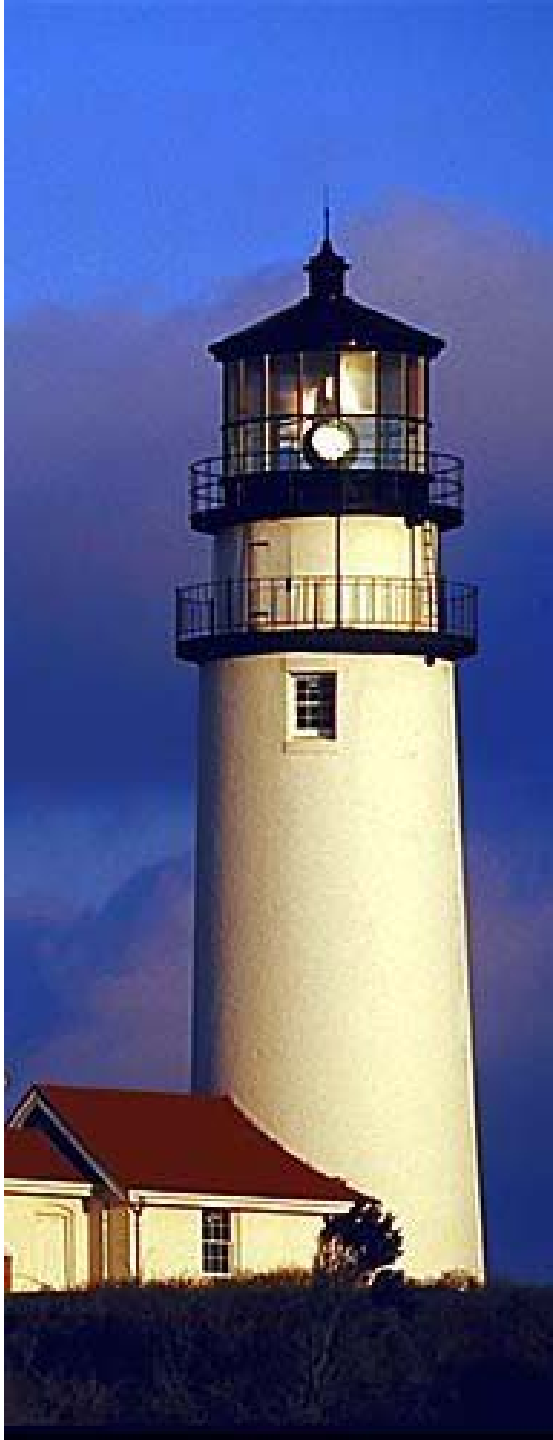
# Major Provision – Distribution Company Owned Renewable Generation

- Distribution Companies may construct, own and operate solar energy generation facilities
  - Up to 25 MW of solar capacity by January 1, 2009
  - Up to 50 MW of solar capacity by January 1, 2010
  - Recovery of costs requires prior approval of the DPU
  - Effects of this provision will be subject to a study due no later than June 30, 2011
  - This authorization is repealed on June 30, 2012



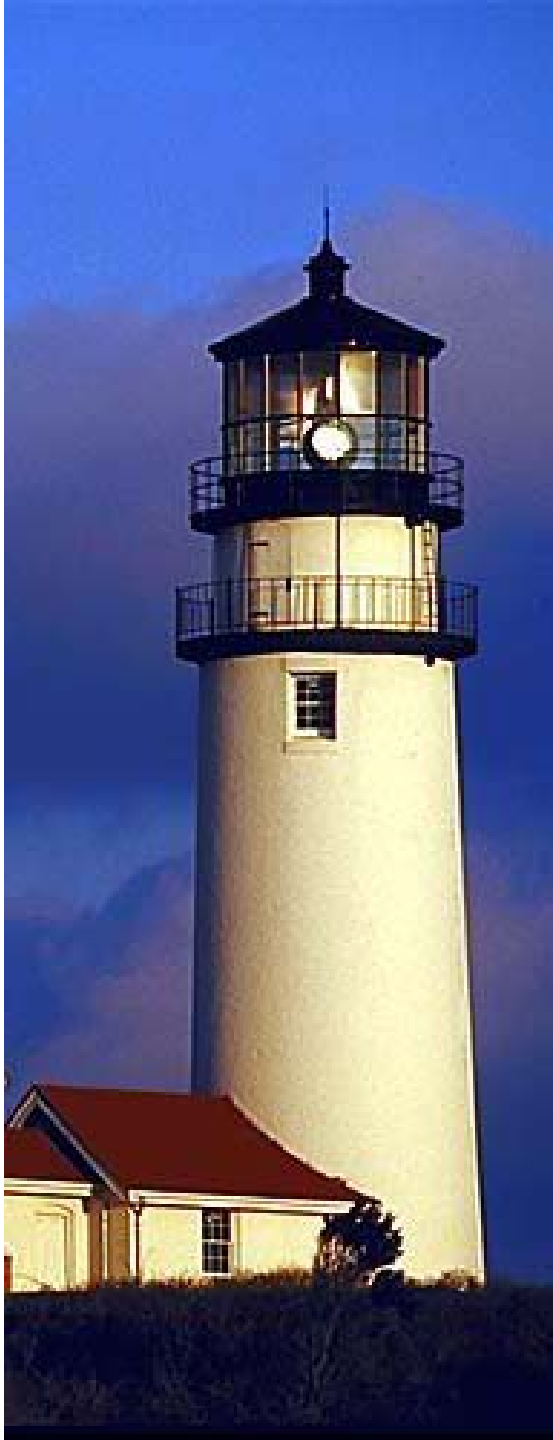
# Major Provision – Municipalities Allowed to Own Renewable Energy Generating Facilities

- Municipality may design, install, own and operate small municipal renewable energy generating facilities, sell electricity and other marketable products (RECs) generated from such facilities
- Municipality may issue bonds or notes to finance all or a portion of a small municipal generating facility
- Municipality may establish an enterprise fund to receive revenues from the operation of small municipal renewable energy generating facilities



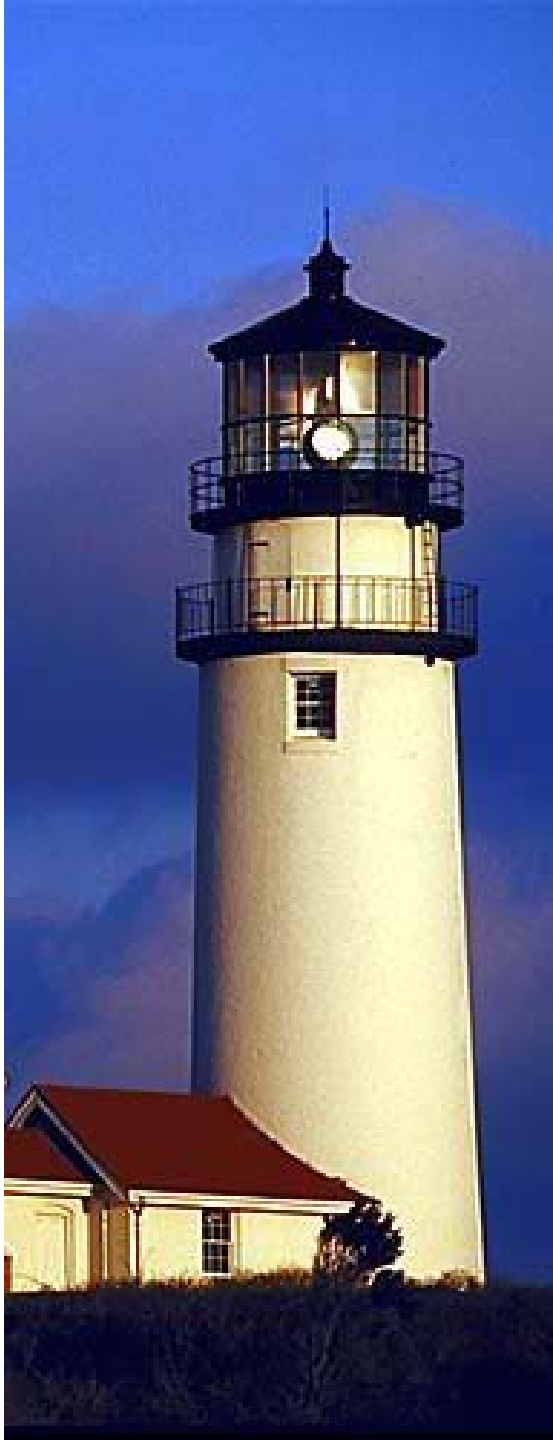
# Major Provision – Green Communities

- Provides up to $10M year statewide in grants, loans and technical assistance to help municipalities/local governmental bodies promote energy efficiency and the financing and siting of renewable/alternative energy facilities.
- Qualifying communities must adopt:
  - As-of-right siting for renewable or alternative energy generating, manufacturing or R&D facilities in designated locations
  - Expedited permitting processes for approving such facilities within one year of filing an application
  - Energy use baseline and a program to reduce energy use by 20% within 5 years
  - Policy to purchase only fuel efficient vehicles
  - Policy to minimize lifecycle energy and water costs for all new commercial, industrial and large residential new construction



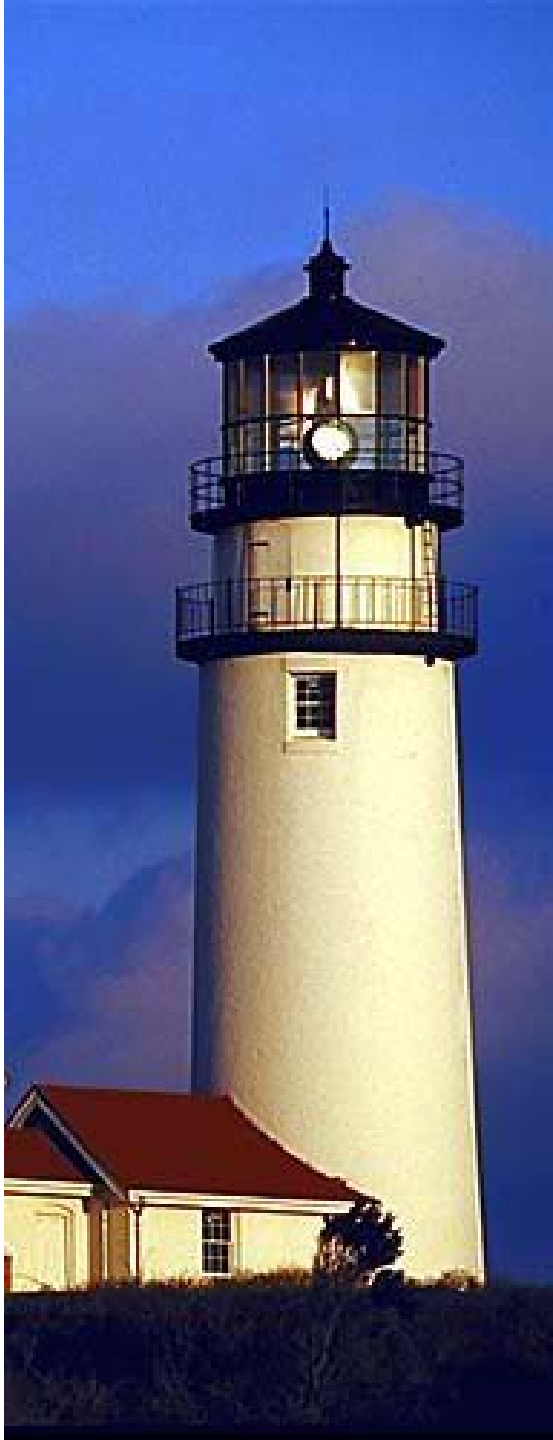
# Major Provision – Net Metering

- Aggregate capacity not to exceed 1% of distribution company's peak load (NSTAR = 49.5 MW)
- DPU is required to adopt rules and regulations to implement the program
- Establishes three classes of net metering facilities
  - Class I facility: plant or equipment used to produce manufacture or generate electricity with a capacity 60 KW or less
  - Class II facility: agricultural, solar, or wind net metering facility with a capacity of more than 60KW but less than or equal to 1MW; Class II facility owned by a governmental entity may have a generating capacity of more than 60KW but less than or equal to 1MW per unit
  - Class III facility: agricultural, solar, or wind net metering facility with a capacity of more than 1MW but less than or equal to 2MW; Class II facility owned by a governmental entity may have a generating capacity of more than 1MW but less than or equal to 2MW per unit



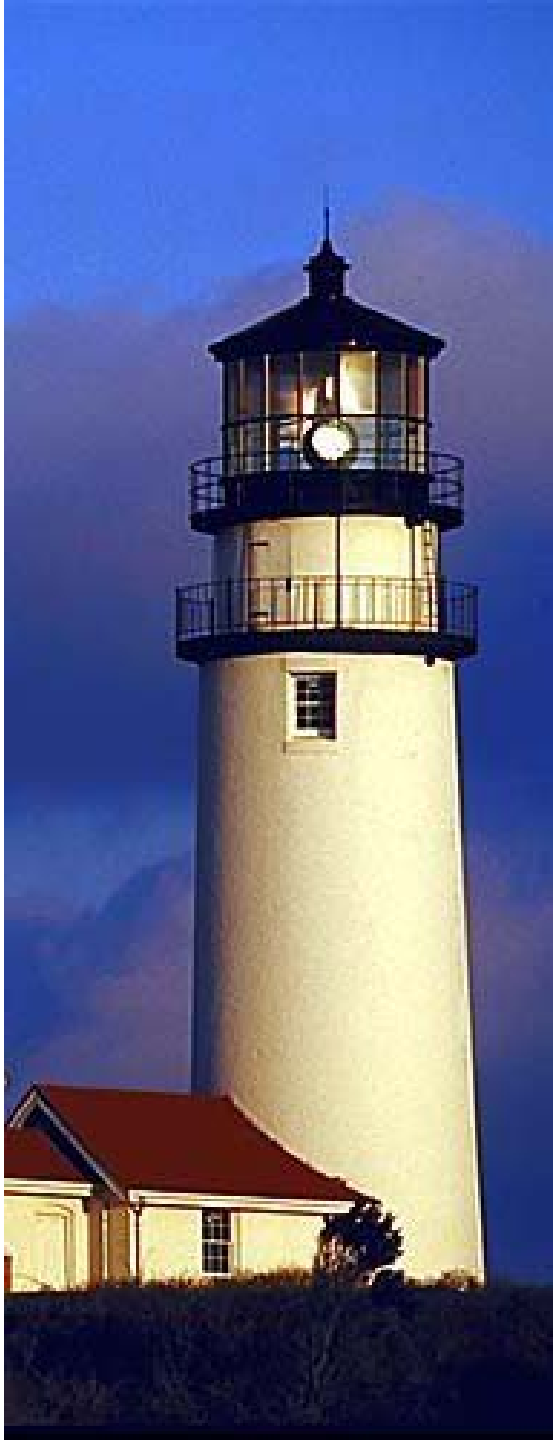
# Major Provision – Net Metering

- Establishes Net Metering Credits
  - Class I net metering credit: equal to excess kWh by time of use billing period, if applicable, **X** default service kWh rate **+** distribution kWh charge **+** transmission kWh charge **+** transition kWh charge (only for solar or wind energy facilities)
  - Class II net metering credit: equal to excess kWh by time of use billing period, if applicable, **X** default service kWh rate **+** distribution kWh charge **+** transmission kWh charge **+** transition kWh charge
  - Class III facility: equal to excess kWh by time of use billing period, if applicable, **X** default service kWh rate **+** transmission kWh charge **+** transition kWh charge. If customer is a governmental entity then the distribution kWh charge is included in the net metering credit calculation



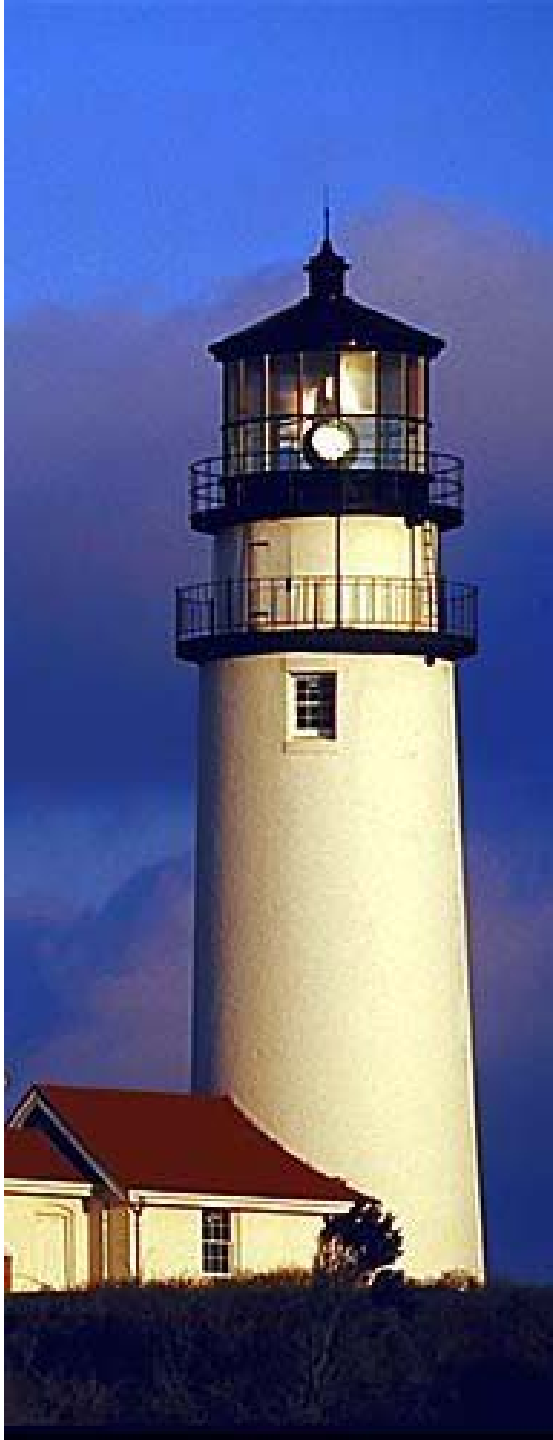
# Major Provision – Net Metering

- Owners of a Class I or Class II net metering facility have 2 options when electricity generated exceeds the customer's kWh usage
  - Customer is billed for 0 kWh usage and excess net metering credits are applied to customer's account. Credits may be carried forward from month to month
  - Class I and II wind and solar facilities may designate customers to receive such credits. Customers must be within same ISO load zone and distribution company
- If a customer's kWh usage exceeds the electricity generated by a Class I or II facility during the billing period, customer shall be responsible for the balance

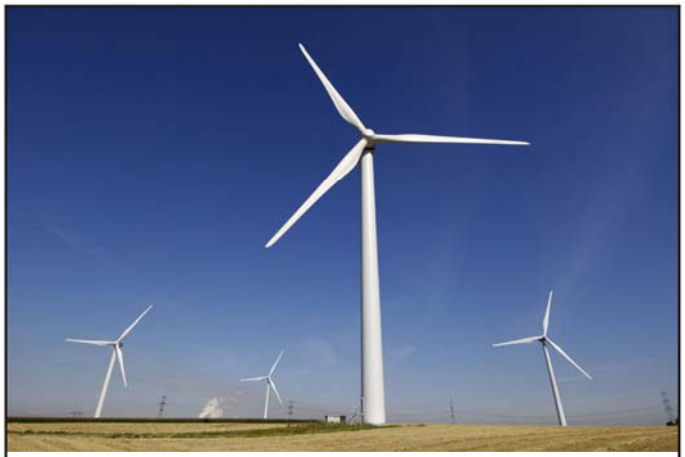


# Major Provision – Net Metering

- If electricity generated by a Class III net metering facility exceeds the customer's kWh usage, customer may:
  - Be billed for 0 kWh usage and excess net metering credits are applied to customer's account. Credits may be carried forward from month to month
  - Designate customers to receive such credits. Customers must be within same ISO-NE load zone and distribution company
  - Distribution company may elect not to allocate such credits and may instead purchase net metering credits
- If a customer's kWh usage exceeds the electricity generated by a Class III facility during the billing period, customer shall be responsible for the balance



# CLASS III NET METERING DIAGRAM - ILLUSTRATIVE EXAMPLE



Sample Class III facility (1 MW to 2 MW)

## Scenario I - Customer Uses LESS than Produced EVERY MONTH

Production from facility is 110,000 kWh per month, and usage is 90,000 kWh. The credit would be 20,000 kWh.

CLASS III NET METERING FACILITY EXCESS CREDITS (10,000 kWh)

carry forward month to month

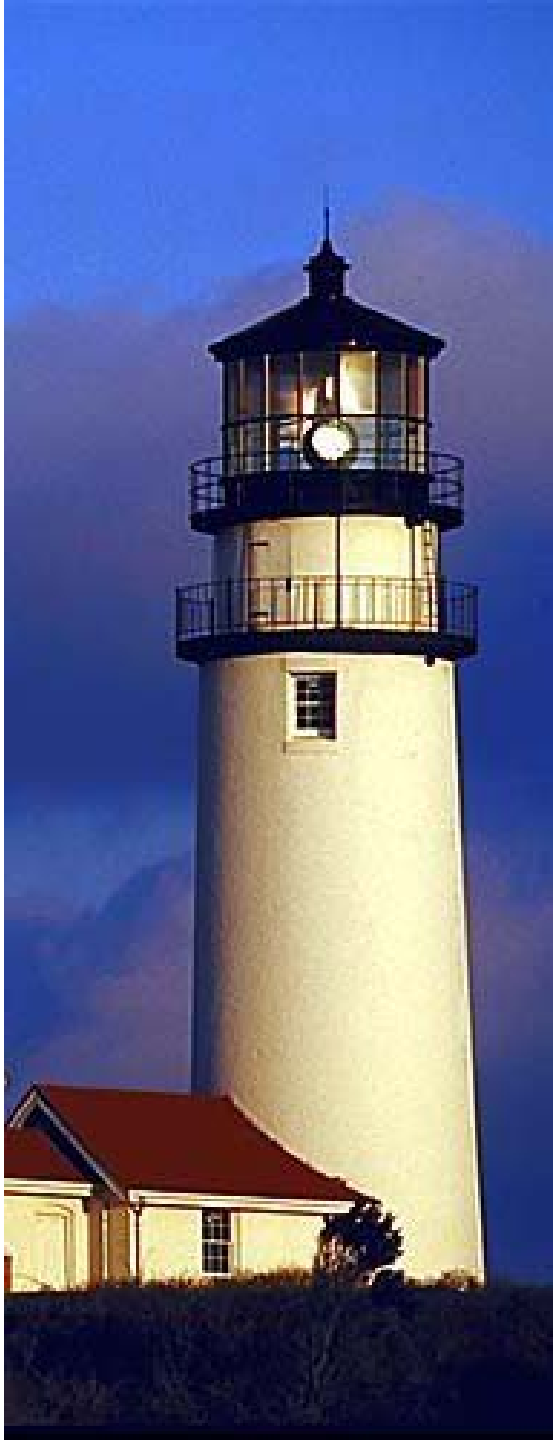
ASSIGNED TO CUSTOMERS IN SAME DISTRIBUTION COMPANY AND ISO-NE LOAD ZONE (so all of Cape Cod and Martha's Vineyard would be eligible)

For Municipals, CREDIT = EXCESS CREDITS X (DEFAULT SERVICE kWh charge + TRANSITION + DISTRIBUTION). For non-Municipal facilities, they would not get a credit for DISTRIBUTION.

NOTE: Distribution Company (ie. NSTAR) may elect not to allocate credits and instead may purchase net metering credits from the facility at the rates provided in the bill.

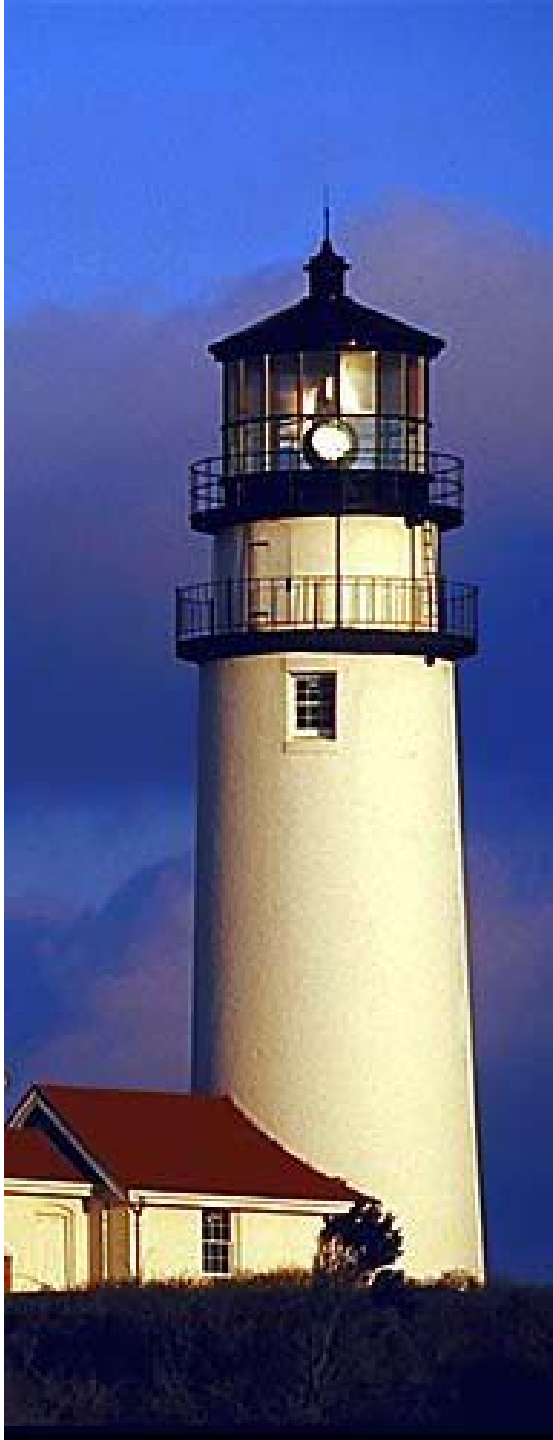
## Scenario 2 - Customer Uses MORE than Produced EVERY MONTH

Production from facility is 110,000 kWh per month, and usage is 150,000 kWh. The customer would be billed 40,000 kWh/month.



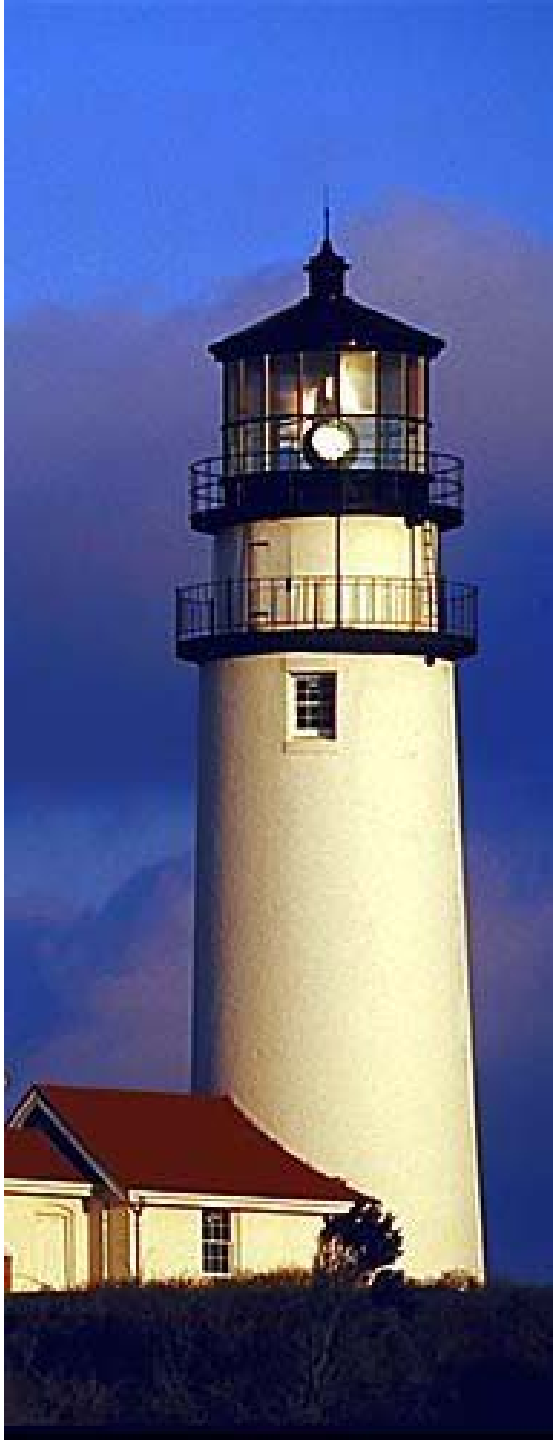
# Major Provision - Default Service Adjustment Factor

- DPU, in consultation with DOER, required to hold a hearing on the default service adjustment factor not later than May 1, 2009
- DPU to file a report on the hearing, including recommendations on regulatory or legislative changes with Joint Committee on Telecommunications, Utilities and Energy, and the clerks of the Senate and House not later than June 1, 2009



# Other Major Provisions

- MTC not under the state, but Governing Board is changed – appears to shift authority to EOEEA
- Municipal aggregator on Governing Board
- Local governmental body can pay for energy conservation through monthly utility bill
- Establishes a pilot program for smart grid, HEAT Loan Program and “energy pay and save” (EPS) pilot program
- Allows ACP funds to go to state and community colleges for renewables
- Study on municipal-owned utilities



# Next Steps

- Participate in DPU proceedings resulting from the Green Communities Act
- Energy Efficiency Committee to review and discuss elements of the Act
- Power Supply Committee to review and discuss elements of the Act

.....