

Massachusetts Green Communities Act (S.B. 2768)

On June 26, 2008 the Massachusetts Senate passed Senate Bill No. 2768, entitled *An Act Relative to Green Communities*, which is a major energy reform act focusing on investment in energy efficiency programs. The House passed similar legislation late last year. The bill was signed into law by the governor on July 2, 2008

The following summarizes the key provisions of the Green Communities Act, released on June 23, 2008.

Regional Greenhouse Gas Initiative (RGGI): As in SB 2456 passed earlier this year, this bill authorizes the auction of 100 percent of RGGI allowances with two caveats: (i) up to 1 percent may be set aside for supporting the voluntary green power market, and (ii) additional allowances may be withheld from auction in the first compliance period to allow for transition to the RGGI program from the program established under 310 CMR 7.29 (Emissions Standards for Power Plants). Auction proceeds will be allocated for the following purposes only:

- to promote energy efficiency, conservation, and demand response programs – at least 80 percent;
- to fund the Green Communities program as described below – up to \$10 million;
- to reimburse municipalities for any decrease in property tax revenue caused by the implementation of RGGI – expires after 2011;
- to provide interest free loans municipalities to fund energy efficiency programs; and
- to cover any costs associated with administering the RGGI program.

Renewable Energy Portfolio Standard (RPS): The bill expands the state's RPS and divides it into two classes. Class I renewable energy sources are those that began operation after December 31, 1997, while Class II renewable energy sources are those that began operation before that date. A renewable energy source is defined as one that produces energy using any of the following:

- solar photovoltaic or solar thermal electrical energy;
- wind energy;
- ocean thermal, wave or tidal energy;
- fuel cells using renewable fuels;
- landfill gas;
- hydroelectric – new facilities or incremental capacity increases completed after December 31, 1997 qualify for the Class I portfolio standard, up to 5 MW of capacity from facilities that began operation before this date may be counted toward the Class II portfolio;
- low-emissions, advanced biomass energy generation; or
- geothermal energy.

Certain waste-to-energy facilities may qualify for the Class II portfolio.

The Class I RPS will reach 4 percent of total energy sales by 2009 and 15 percent of total sales by 2020. The Class II RPS shall be determined by The Department of Environmental Protection (DEP).

Alternative Energy Portfolio Standard (AEPS): This provision requires the DEP to annually determine a minimum percentage of kilowatt-hour sales within the state that must be produced by alternative energy sources. An alternative energy source is defined as one that produces energy using any of the following:

- fossil fuel gasification with carbon capture and sequestration (CCS) technology;
- combined heat and power;
- flywheel energy storage;
- paper-derived fuel; or
- energy efficient steam technology.

Additional alternative energy sources may be added by the DEP at a later date, but the bill excludes: (i) all types of fossil fuel generation except when gasification with CCS is used and (ii) nuclear power.

Electric and Natural Gas Efficiency: The bill mandates that the state's electricity and natural gas demand will be satisfied by energy efficiency and demand response measures instead of increases in supply capacity as long as those measures are cost-effective. To achieve this goal, electric and natural gas distribution companies must collectively provide an Energy Efficiency Investment Plan for each sector every three years. These plans will outline all cost-effective energy efficiency and demand response programs that should be sponsored for the following period. The funding of these programs will be provided primarily by revenues raised by the auction of RGGI allowances. As stated above, at least 80 percent of the auction revenues are designated for programs approved under this provision.

Green Communities: The bill establishes a Green Communities program to provide funding to qualifying communities for energy efficiency and conservation projects and alternative or renewable energy source construction, among other project types.

Net Metering: The bill establishes net metering throughout the state and allows on-site generators to be credited for excess energy that they provide to the grid. No more than one percent of a distribution company's peak load may be provided by net metering.

Long-term Renewable Energy Contracts: The bill establishes a pilot program requiring distribution companies to review proposals for renewable energy projects and to enter into 10 to 15 year contracts for the development of any such project that is considered to be reasonable and cost-effective.

State Reduction Goals: The bill lays out a series of state-wide goals to reduce electricity consumption, emissions, and dependence on fossil fuels. The goals are summarized as follows:

- to meet at least 25 percent of the state's total electric load with demand side resources by 2020;
- to provide at least 20 percent of the state's total electric load from new, renewable (Class I) and alternative energy sources;
- to reduce fossil fuel consumption from buildings by 10 percent below 2007 levels by 2020; and
- to develop a plan to reduce the state's total energy consumption by at least 10 percent by 2017 through the Green Communities program.

Additional Provisions: Beyond the major reforms outlined above, the bill also:

- requires the Board of Building Regulations and Standards to integrate the International Energy Conservation Code standards into the state's building code;
- requires the Board of Registration of Home Inspectors to advise buyers of residential housing as to the procedures and benefits of conducting a home energy audit;
- creates an energy efficiency advisory council with the express purpose of overseeing all energy efficiency programs proposed by the distribution companies in the Energy Efficiency Investment Plans to assure their benefits to consumers and cost-effectiveness;
- increases efficiency requirements for hybrids purchased by the state and increases the state's hybrid or alternative fuel vehicle goal to 50 percent of the total fleet by 2018;
- provides for regulation of steam distribution companies by the Department of Public Utilities;
- provides funding for the Massachusetts Renewable Energy Trust Fund;
- creates the Office of Ratepayer Advocacy; and
- facilitates renewable and alternative energy programs by state agencies.

A section by section summary of the bill provided by the state may be found at: http://www.mass.gov/legis/bills/senate/185/st02pdf/Energy_Conference_BILL_SUMMARY.pdf.

The complete bill may be found at: <http://www.mass.gov/legis/bills/senate/185/st02pdf/st02768.pdf>.