

Resolution No.: 15-1530
Introduced: July 11, 2006
Adopted: July 11, 2006

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By: County Council

SUBJECT: Executive Regulation 2-06AM, Clean Energy Rewards Program

Background

1. Section 18A-11(a) of the County Code requires the Department of Environmental Protection (DEP) to establish a program providing financial rewards to Montgomery County residents and businesses that choose electricity from renewable sources.
2. Section 18A-11(b) requires the Director of DEP to certify each eligible energy product supplier under the program.
3. Section 18A-11(c) requires the County Executive to adopt program regulations that:
 - A) identify the types of electricity that qualify for incentives under the program,
 - B) restrict payment of incentives of electricity that a customer or supplier is required to buy or produce to meet federal or state requirements,
 - C) specify the process to apply for, certify, and receive an award, and
 - D) include any additional program criteria, standards, and procedures that are consistent with the County's energy and environmental policy.
4. Section 18A-11(d) requires that the County Council, by resolution, establish the maximum amount of any incentive offered, and the time period the incentive will be offered.
5. On March 2, 2006 the County Executive transmitted Executive Regulation 2-06, Clean Energy Rewards Program, to the County Council.
6. On, May 25, 2006 the County Council approved Resolution 15-1471 (Approval and Appropriation for the FY 2007 Operating Budget of the Montgomery County Government). This resolution included language in Paragraph 56 of the Action section identifying an amount of \$361,000 for Clean Energy Rewards incentives.
7. On June 20, 2006, the County Council received suggested amendments to Regulation 02-06 from DEP as well as additional details regarding the program for approval as part of this resolution.

8. The Transportation and Environment Committee discussed Executive Regulation 2-06 on June 22, 2006 and DEP's recommended amendments to the regulation to include: consumer eligibility requirements, the frequency of payments, and the minimum clean energy purchase required for eligibility and other changes.
9. On July 6, 2006 the County Executive transmitted Executive Regulation 2-06AM to the Council. Regulation 2-06AM incorporates the Transportation and Environment Committee's recommended changes to the regulation.

Action

The County Council for Montgomery County, Maryland approves Executive Regulation 2-06AM as attached.

The County Council approves the following program criteria that are effective during the life of the program unless adjusted by a future County Council resolution.

Incentive Rates:

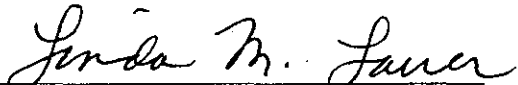
- Residential: \$0.01/kWh
- Non-Residential: \$0.015/kWh

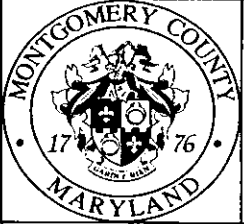
Annualized Incentive Caps Per Participant (by fiscal year)

- Residential Cap: 20,000 kWh
- Non-Residential Cap: 100,000 kWh

Minimum Clean Energy Purchase Requirement: 50%

This is a correct copy of Council action.


Linda M. Lauer, Clerk of the Council



MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

Subject Clean Energy Rewards	Number 2-06AM
Originating Department Department of Environmental Protection/Department of Finance	Effective Date August 10, 2006

Montgomery County Regulation on:

CLEAN ENERGY REWARDS PROGRAM

DEPARTMENT OF ENVIRONMENTAL PROTECTION AND
DEPARTMENT OF FINANCE

Issued by: County Executive
Regulation No. 2 – 06AM

Authority: Chapter 18A
Council Review: Method (1) under Code Section 2A-15
Register Vol. 23, No. 1

Comment Deadline: January 31, 2006
Effective Date: August 10, 2006
Sunset Date: None

Summary: This regulation establishes the procedure for implementing a Clean Energy Reward Program for residents and businesses in Montgomery County.

Address: Written comments on these regulations should be sent to:

Fariba Kassiri, Chief
Division of Environmental Policy and Compliance
Department of Environmental Protection
255 Rockville Pike
Rockville, Maryland 20850

Robert Hagedoorn, Chief
Treasury Division
Department of Finance
101 Monroe Street
Rockville, Maryland 20850

Staff Contact: For further information or to obtain a copy of this regulation, contact Susan Kirby at (240) 777-7753.



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Sec. 1. Regulation

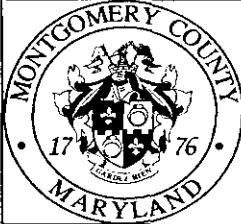
Section I: General Provisions

- A. Authority. In accordance with the authority conferred under Chapter 18A, Section 18A-11, of the Montgomery County Code, 2004, as amended (hereinafter referred to as the "Code"), the County Executive hereby promulgates this regulation to implement County law pertaining to financial rewards provided by Montgomery County to consumers who choose electricity produced by renewable sources.
- B. Applicability. This regulation applies to eligible electricity sold by clean energy suppliers, eligible electricity produced by on-site generators, and eligible Renewable Energy Certificates.

Section II: Definitions

For purposes of this regulation, the following words and phrases have the following meanings unless the context clearly indicates otherwise:

- A. Director – The Director of the Department of Environmental Protection or the Director's designee.
- B. Director of Finance – The Director of the Department of Finance or the Director's designee.
- C. Clean Energy Supplier – An entity that sells clean energy, or Renewable Energy Certificates.
- D. Clean Energy – Electricity that is generated from eligible renewable energy sources, or represented by Renewable Energy Certificates.
- E. Consumer – Any individual or entity in the County, except a governmental entity, that purchases or uses clean energy.
- F. Department – The Department of Environmental Protection.
- G. Eligible clean energy cap – The maximum amount of clean energy that is eligible for incentive payments under the Program, as set by Council resolution.
- H. Eligible renewable energy sources – Wind, solar, and biomass as defined as a Tier 1 renewable source in the Maryland Code, Public Utility Company Article, §7-703 (see: Maryland Renewable Energy Portfolio Standard).
- I. Environmental Information Label – A document detailing product information including fuel mix and emissions, produced twice a year by every electricity supplier doing business in Maryland, as required by the Electric Consumer Choice and Competition Act of 1999 (Maryland Code, Public Utility Companies Article, §§ 7-501 et seq.).



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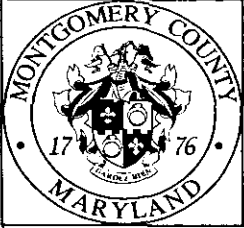
- J. GATS – The Generation Attributes Tracking System established by PJM to track and verify environmental attributes of electricity products.
- K. Incentive rate – The clean energy incentive rate set by Council resolution.
- L. Minimum clean energy requirement – The minimum percentage of clean energy that a consumer must purchase or generate to be eligible to participate in the Program, as set by Council resolution.
- M. On-site generator – An on-site electricity generation system that utilizes an eligible renewable energy source.
- N. PJM – The regional Independent System Operator that oversees operation of the electricity grid of the Mid-Atlantic region.
- O. Program – The Montgomery County Clean Energy Rewards Program.
- P. Renewable Energy Certificate or Credit, or “REC” – A clean energy product sold by a clean energy generator that represents the market value of the environmental attributes of eligible clean energy generation within the PJM service territory.
- Q. Maryland Renewable Energy Portfolio Standard or “RPS” – The renewable energy portfolio standard that electricity suppliers doing business in Maryland are required to satisfy under Maryland Code, Public Utility Company Article, §7-703.

Section III: Program Established

There is hereby established a Clean Energy Rewards Program under which the County will provide financial and other appropriate incentives to encourage consumers throughout Montgomery County to choose electricity produced by renewable sources. The financial incentives will be in the form of incentive payments made available to consumers through their clean energy suppliers, or delivered directly to on-site generators.

Section IV: Eligible Clean Energy Products

- A. In order for a consumer to qualify for incentive payments under the Program, the electricity used by the consumer must be certified by the Director as being:
 - (1) Generated using eligible renewable energy sources;
 - (2) Generated within the PJM region; and
 - (3) Registered and tracked in GATS; or



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(4) Generated by an on-site generator using an eligible renewable energy source.

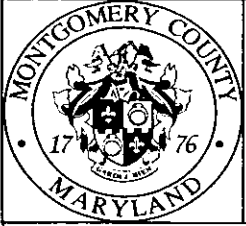
- B. The Director must develop clean energy certification procedures for electricity and on-site generators.
- C. Consistent with Maryland Code, Public Utility Company Article, §7-703, a clean energy product marketed and sold to a consumer under the Program may not be counted toward a supplier's RPS requirement for any year, or supplant clean energy purchased to comply with other state or federal laws.
- D. To obtain certification for electricity produced by an on-site generator, the end user must provide system documentation for use in estimating the amount of kWh generated during a given time period. The Director reserves the right to estimate the amount of kWh generated during a given period using a methodology that the Department finds reliable.

Section V: Eligible Clean Energy Consumers

- A. In order to be eligible to participate in this program, a consumer must be an end-user of electricity delivered to a metered location within Montgomery County, or operate an on-site generation system utilizing eligible renewable energy sources within Montgomery County.
- B. A consumer may not participate in the Program unless the consumer meets the minimum clean energy requirement. For the purpose of determining whether a consumer meets the minimum clean energy requirement, the Director must consider electricity or RECs generated from a clean energy supplier purchased by the consumer, or electricity produced by an on-site generator.
- C. The eligible clean energy cap applies to all consumers.
- D. Only individuals and non-governmental entities are eligible to participate in the Program.

Section VI: Process for Application, Certification and Receipt of Clean Energy Rewards

- A. An electricity supplier may certify a clean energy product by submitting an application to the Department in a form prescribed by the Director. After receiving the application, the Director, in consultation with the Director of Finance and the supplier, must develop a schedule for incentive payments from the County to the supplier for distribution to the supplier's eligible customers. The Director must complete a review of any application submitted under this subsection and approve or disapprove certification within 30 days after receiving the application.
- B. Products that the Director has certified as eligible may be marketed to consumers as qualifying for an incentive payment under the Program.
- C. Any clean energy supplier that participates in the Program must maintain a record of all clean energy



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products sales to Montgomery County consumers and submit quarterly reports to the Department documenting the types of clean energy product sales that are eligible for incentive payments and the dollar amount of those sales.

Section VII: Payment of Clean Energy Rewards

- A. A clean energy supplier must request payment from the Department for an amount equal to the aggregate eligible incentive payment for clean energy sales in a form prescribed by the Director and in accordance with a predetermined schedule.
- B. If the Director determines that the supplier is entitled to receive payment under the Program, the Director must forward the request with an authorization for payment to the Department of Finance. After receiving the Director's authorization the Director of Finance must disburse the requested funds to the supplier. The following formulas will be used to calculate incentives for eligible consumers.

Formula 1: Consumer meets the minimum clean energy requirement solely with electricity purchased from a clean energy supplier

$$\text{Incentive Rate} \times \text{Total Clean Energy Consumption in kWh}_{\text{pre-determined time-frame}} \leq \text{Eligible clean energy cap} \times (\% \text{ Clean Energy}/100) = \text{Clean Energy Incentive Payment}$$

Example calculation:

$$\$0.01 \text{ kWh} \times 3,000 \text{ kWh/quarter} \times (100/100) = \$30.00/\text{quarter}$$

Formula 2: Consumer meets the minimum clean energy requirement solely by purchasing Renewable Energy Credits (RECs)

$$\text{Incentive Rate} \times \text{RECs purchased (kWh equivalent)}_{\text{predetermined time-frame}} \leq \text{Eligible clean energy cap} = \text{Clean Energy Incentive Payment}$$

Example calculation:

$$\$0.01/\text{kWh} \times 3,000 \text{ kWh/quarter} = \$30.00/\text{quarter}$$

Formula 3. Consumer meets the minimum clean energy requirement with electricity purchased from a clean energy supplier and the purchase of RECs

$$\text{Formula 1}_{\text{purchased from clean energy supplier}} + \text{Formula 2}_{\text{renewable energy credits}} = \text{Clean Energy Incentive Payment}$$



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Formula 4: Consumer meets the minimum clean energy requirement solely with electricity produced by an on-site generator

Incentive Rate x Energy Generated On-site (kWh)_{pre-determined time-frame} ≤ Eligible clean energy cap = Clean Energy Incentive Payment

Formula 5: Consumer meets the minimum clean energy requirement with electricity produced by an on-site generator and purchased from a clean energy supplier

Formula 3_{on-site generation} + Formula 1_{purchased from clean energy supplier} = Clean Energy Incentive Payment

Formula 6. Consumer meets the minimum clean energy requirement with electricity produced by an on-site generator and the purchase of RECs

Formula 3_{on-site generation} + Formula 2_{renewable energy credits} = Clean Energy Incentive Payment

- C. A supplier must dedicate all funds received from the County under the Program to providing incentive payments to its eligible clean energy customers. A supplier must not retain any portion of the incentive payments disbursed by the County for administrative or operational expenses.

Section VIII: Outreach and Public Education

- A. Electricity suppliers that market their products as eligible to qualify for incentive payments to consumers under the Program must include a statement in their marketing materials that the Program is provided by Montgomery County to Montgomery County consumers. The suppliers must provide copies of all marketing materials and announcements to the Department for review and approval. The Department will provide any comments or revisions to the electricity supplier within two business days.
- B. All participating clean energy suppliers must provide to the Department an Environmental Information Label for each clean energy product marketed under the Program. The Environmental Information Labels must satisfy the requirements for disclosure of environmental emissions and generation mix established by the Maryland Public Service Commission.
- C. The Department must undertake public education and outreach efforts that inform County residents and businesses about the Program, provide education on the types of clean energy products that are available, explain the environmental benefits of clean energy, and provide special recognition to businesses that purchase or generate clean energy under the Program. The Director may publicly



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disseminate the information contained in the suppliers' Environmental Information Labels for eligible clean energy products.

Sec. 2. Severability

If a court holds that a portion of this regulation is invalid, the other portions remain in effect.

Sec. 3. Effective Date

This regulation takes effect 30 days after approval by the County Council.

Handwritten signature of Douglas M. Duncan in cursive.

Douglas M. Duncan,
County Executive

Distribution:

- Clerk, County Council
- County Executive
- Chief Administrative Officer
- County Attorney
- Director, Department of Environmental Protection
- Director, Department of Finance

APPROVED AS TO
FORM AND LEGALITY
OFFICE OF COUNTY ATTORNEY

BY DATE 7/6/06

Walter E. Wilson