

Energy Policy Review Commission - Unofficial Minutes

Wednesday June 12, 2013

12:00pm – 2:00pm

Executive Office of Energy and Environmental Affairs

9th Floor Legal Conference Room

Members in Attendance:

Bob Rio	A.I.M
Elliot Jacobson	Action, Inc.
Rob Calnan	Calnan's Energy Services
Tom Regh	Progressive Energy Services
Robert Kaufmann	Boston University

Others in Attendance:

Barbara Kates-Garnick	EEA
Mark Sylvia	DOER
Andrew Goldberg	AGO
Stolle Singleton	Office of the House Minority Leader
Rep. Matt Beaton	MA State Representatives
Shaela Collins	Rich May, P.C.
Matt Saunders	AGO
Hinna Upal	EEA
Lauren Farrell	EEA
Rita Carvalho	Action Inc.
Ben Davis	DOER
Martha Broad	MassCEC
Mark Sylvia	DOER
Jessica Bardi	EEA

Documents Discussed:

- Agenda
- Draft Report
- Extension letter to Legislature
- List of draft objectives and metrics
- Tom Regh, Home Energy Services analysis

Barbara Kates-Garnick called the meeting to order at 12:06pm.

Introduction

Undersecretary Kates-Garnick welcomed the Commission members and meeting attendees and started the introductions around the room. She noted that the extension letter to the Legislature was sent over. Mr. Saunders reminded the Commission that the EEAC meeting is at 1pm. Undersecretary Kates-Garnick said that the Commission members have been asked to draft positions. She noted that Mr. Jacobson has kept to the deadline and submitted short, timely positions; Mr. Rio has also submitted some items. Mr. Regh noted that he had submitted something that is not included in the report. Undersecretary Kates-Garnick replied that Mr. Regh's positions were not excluded on purpose; she wants to make sure the report has an unbiased reflection of every member's comments and does not want to take license on

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anyone's recommendations therefore requests all members to submit their positions into the outline format. Mr. Regh asked if there was any way to get the report beforehand. Ms. Upal noted that the draft report does not include any new details from last week, just the metric notes that were taken at the last meeting.

Reducing Costs Associated with Energy Programs while Maximizing Benefits

Undersecretary Kates-Garnick referred to the EEA list of metrics and objectives. She asked Mr. Regh if he wanted to discuss his thoughts on costs. Mr. Regh said that he sent a revised version of his analysis that morning, which includes proposed metrics. He noted this type of analysis is a useful measurement and can be done every quarter or year. He said it also does not require any new data or expenditure of funds for a consultant. Mr. Saunders said he had not seen a copy of this document and asked Tom to send it to him after the meeting. Mr. Regh asked if any of the Commission members had thoughts on his analysis. Mr. Jacobson responded that DPU has already done this type of analysis and he would prefer if the Commission used that data instead of new data. He continued that DPU has been doing this for years and he prefers to rely on them versus relying on the Commission to do the analysis. Mr. Regh asked if DPU reports on the average spending per participant. Mr. Davis said he would have to look into that specifically. Mr. Regh suggested looking at the proposed metrics and see which ones are redundant or already in use. He said that from what he can see, there are metrics that aren't being reported and everyone can benefit from making these calculations. Undersecretary Kates-Garnick replied that it is up to the Commission to vote on the metrics and though Mr. Regh may not get the decision he likes, his metrics could be included in the appendix of the report. Mr. Regh responded that he has seen the metrics that have been put forth but is struggling with the definition of a metric, which is defined as something that has to be measured. He said that he needs numbers and data to look at because the report needs numbers to report. Ms. Upal asked if Mr. Regh's metric could fit under "program oversight"? Mr. Regh agreed that it could go there. Undersecretary Kates-Garnick noted that Mr. Regh's metrics go above and beyond DPU so perhaps they could look over the metrics. Mr. Davis responded that statutorily DPU has findings that it needs to make (i.e.: costs effectiveness) so the cost effective analysis Mr. Regh has looked at, DPU does exhaustingly. He continued that the DOER/EEAC has one set of data, such as program design, and DPU has another therefore he thinks it's more of a DOER concern. Mr. Regh replied that he appreciates the work DPU has done; however the point of the Commission is to report to the Legislature on where the money is going, how it is spent and what the benefits are. He said that the DOER Annual Report comes out but it is not timely and does not contain certain metrics. Mr. Regh continued that the Commission should find the DPU metrics that exist and not make the Legislature dig through the file rooms. Undersecretary Kates-Garnick replied that this transparency issue should be put forth as a concrete recommendation. Mr. Jacobson stated that the Commission is not there to create a 3rd arm discussion between DOER and DPU. Mr. Calnan noted that it sounds like there is a way to organize data and information so a lay-person can understand them. Mr. Saunders said that he would be interested in seeing what DPU does not report on. He also noted that the DOER Annual Report is already simplified for the average person. Mr. Davis noted one thing that was proposed from the 3-Year Plan was a \$1.5 million statewide database and it is an issue all parties realize needs to be worked on. Mr. Regh asked if there was a stakeholder engagement process. Mr. Saunders said there was a notice on 11-120A streamlining; stakeholders need to report or get involved but there is a forum to get involved if interested. Mr. Regh said that in response to Mr. Jacobson, he also does not think the Commission should serve as a 3rd arm but the report needs metrics and to provide measurements, not just give opinions.

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Undersecretary Kates-Garnick asked if there were any other metrics to propose. Mr. Rio suggested ‘cost to reduce pollutants/GHG’. Undersecretary Kates-Garnick noted that the GWSA is a good way to look at how the State is meeting goals and emissions reductions and would be a good metric to include. She suggested “price volatility/stability” as a metric and noted that this topic was discussed at the AG Summit. She asked if Mr. Saunders thought there was something that came out of the AG Summit to engage in these metrics. Mr. Saunders said he could not speak to that but there was an email and there is a website looking for input. Undersecretary Kates-Garnick said a lot of panelists discussed stability and prices at the AG Summit.

Mr. Rio suggested “future prices and projections of” as a metric. He said that future prices have a huge impact on decisions made today and people are being blindsided. He said his members need projections to base their decisions on, even if they are “squishy” projections. Mr. Jacobson said this is more of a stability issue; volatility is more of an oil concern in that it’s very personal and customer to customer. Mr. Goldberg noted to keep an eye on storage and what is on the horizon. Undersecretary Kates-Garnick said she felt there was something missing and suggested “technology” as a metric; as in “what role will grid modernization have”.

Reducing Costs of Electricity for Commercial Industrial and Residential Customers

Undersecretary Kates-Garnick suggested the Commission discuss the next topic. Mr. Rio said he considers rates and costs to be different; rates when compared across states and costs when compared within the State. He said that when companies relocate, they look at costs. Undersecretary Kates-Garnick said that energy efficiency is a way to reduce cost if rates are higher. Mr. Rio agreed but said that increasing rates are starting to wipe all costs savings and are beginning to flat line. Undersecretary Kates-Garnick noted there are environmental implications; there are requirements on polluters, such as commercial clients, and this could relate back to the Clean Fuel Standard. Mr. Rio responded that there are many options for GHG reduction goals, however the focus has mainly been on energy. He said that GHG reductions are flat lining and there should be more focus on non-energy goals such as refrigerants and subsidizing refrigeration costs.

Undersecretary Kates-Garnick noted the Commission should look at distributed technologies. Mr. Rio agreed, saying one of his customers recently installed CHP and once they heard about the two-cent increase, it changed the dynamic of the calculations. He continued that customers save a lot of money with these projected costs and all we need to give to them is more data and predictions. Mr. Goldberg said this was interesting and asked if it should be included in the report. Mr. Rio responded that he just wants people to be thinking about this and by not giving the public correct information, they cannot make decisions. Mr. Goldberg agreed it is something to get out to the public. Undersecretary Kates-Garnick noted that CHP is a focus of some work at DOER. She said the only issue is that DPU would raise the issue on implications of costs on customers who do not have the option. Mr. Rio stated that if people get off the grid, they’re not on the grid and there are huge ramifications to paying for programs that are left and not able to go off the grid. Commissioner Sylvia noted that when the Governor set goals, he spent a lot of time looking over implications on ratepayers and RPS so that cheaper renewable technologies are achievable and would not be replaced. Mr. Rio stated that he is concerned about low-income ratepayers and the amount of distribution that is not being generated. Mr. Jacobson noted that he is in constant discussion over the concern of cost of ratepayers and the affected cost of expenditures. He continued that he wants to make sure low-income people are not excluded. Undersecretary Kates-Garnick noted that the Administration is mindful and that it is important to keep thinking about the future.

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Undersecretary Kates-Garnick noted that many members have to leave the meeting to attend the EEAC Meeting but those members who wish to remain could continue the discussion. She said it would be helpful for a discussion on volatility and asked Professor Kaufmann for input on Modern Portfolio Theory (MPT). Professor Kaufmann replied that he talked about MPT in general terms. He noted that it is hard to get the specific plant data that is needed but his sense is that when things are down, they go down jointly, and vice versa. He noted that PVs are on during peak load demand and do not require the most expensive plants to be turned on. Undersecretary Kates-Garnick said that the State just increased its solar goal and noted that one implication of expansion is the reduction of costs. Professor Kaufmann replied that the installation of PVs will reduce all costs whether or not you have them. He said that for vulnerability, you must know when the plants are taken offline, which is very detailed information. He noted that people have been very helpful so far at ISO-NE who he has been in contact with. Professor Kaufmann also noted that he has some students who are working on the impact of climate change in electricity demand. He said the students have found that change in summer could cause huge increases in costs and the price of electricity. He said that if you believe in global warming and summers are getting hotter, PVs are the way to go. However, he noted there is an upper limit; plants are offset by more spinning reserve. Commissioner Sylvia noted that this is where storage and hydro would come into play. He said he has heard a lot about the large hydro potential in Canada. Commissioner Sylvia also noted that clean energy imports is a place of overlap with the Climate Plan/GWSA. Mr. Davis noted that PVs reduce whole price of electricity, which is a huge benefit. He explained Demand Reduction Induced Price Effect (DRIPE) which reflect any additional charge in costs that occur due to a price response that results from the demand reduction. Mr. Davis also noted Section-83 on long-term contracts for renewable energy. Professor Kaufmann said that he has started to do these types of calculations and found that the average kW is 96 cents per \$1. He also said there is a correlation with high demand periods. Professor Kaufmann said he is interested in looking at hourly generation of wind projects but there is no actual data. Mr. Davis noted that Cape Wind looked that data for many years; on peak demand, Cape Wind would have been running at high capacity. Professor Kaufmann replied that if there is theoretical data, he would be happy to calculate.

Undersecretary Kates-Garnick noted increased solar goals and the impact on price. She brought up price volatility and the ability to reduce it. Professor Kaufmann said that with electricity sources, there are two sources of volatility – hour to hour and price of fuel. He said that as long as they are competing in the electricity market, oil and gas won't completely decouple. Professor Kaufmann noted that the State can influence through EnerNoc to reduce demand during the summer. He said other things that can be done are to institute rebate programs similar to boilers and high standards for A/C. Professor Kaufmann continued that there are technologies where you can do energy audits and determine energy production without having people physically go into buildings. He said this would work for commercial buildings especially as they are already working so poorly. Commissioner Sylvia noted there is a pilot on asset rating that can help give a sense of how a building is performing. Professor Kaufmann replied that bigger buildings do have real time meters. Commissioner Sylvia noted that real time meters are going to be put on State buildings. Professor Kaufmann noted there is a split incentive problem where the people who are running the building are not the people who pay the bills. Commissioner Sylvia agreed, saying the split incentive problem is a big nut to crack but it is something that will be addressed in the next 3-Year Plan. Mr. Goldberg noted that the report should include recommendations to keep an eye on this issue.

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Professor Kaufmann said he is looking at low-income and behavioral economics. Commissioner Sylvia noted the MPG Rating pilot, which has had a lot of testing and it would be great to find the silver bullet. He said if it would be helpful, Ms. Halfpenny could report to the Commission on the topic. Ms. Carvalho noted that Mr. Jacobson would be interested in hearing about this as he always says you can change behavior but not income. Mr. Goldberg noted that he is speaking as a person who is interested, not as an official position of the Commission. He continued that there are pending bills specific to labeling commercial and residential buildings and those would be helpful to put in the report recommendations. Rep. Beaton asked if the MPG Rating pilot program index was based on the HERS index. Commissioner Sylvia responded that he believes it is HERS based. Professor Kaufmann noted that he wrote a paper on how mortgage delinquency rates increase when oil prices increase.

Increasing Electricity Reliability

Undersecretary Kates-Garnick noted that the one topic the Commission didn't get to was reliability. She said there are studies on gas diversity from NESCOE and there has been discussion on diversification. Mr. Davis said volatility is for demand/supply and asked about increased penetration of renewables. Professor Kaufmann said that renewables are intermittent so there is need for more spinning reserve; certain level of offset price is offset by spinning reserve.

Ms. Singleton asked if the Commission is actually measuring metrics or suggesting the Legislature to find metrics. Undersecretary Kates-Garnick said the Commission will suggest metrics and will fill out the metrics as can be done. Ms. Singleton said she noticed that Mr. Regh's suggested metrics were not added to the list. Ms. Upal said she did include the one he said aloud. Ms. Singleton said she wanted to ensure Mr. Regh's thoughts were included. Ms. Upal responded that from what she's heard from the other members, these metrics have already been done by DPU. Ms. Singleton replied that is why she has been wondering if the Commission will synthesize all of the data. Mr. Davis suggested the Commission go through all of the metrics to make sure they have the right metrics and know what each metric means.

Undersecretary Kates-Garnick noted that when someone looks at the cost per capita program, it is hard to understand, and the DPU numbers are not transparent, however the numbers are vetted and that can provide a level of comfort. She noted that Mr. Regh's data will be represented in the report, however it is up to the Commission to decide where it is the framework. Ms. Singleton noted that net jobs has been discussed but asked if there will be hard numbers in the report. Ms. Upal said there are numbers and the Commission has addressed the Clean Energy Industry Report. Ms. Broad responded that one major thing for next year's report has been changed due to the Commission – measuring 50%/100% jobs. She noted that "net jobs" is a topic and asked what that means and how that can be measured. She said that a lot of money is needed to measure that metric and it is a big number to crack.

Mr. Davis said there is DPU energy efficiency data available, in the 0-850 tables for example. He noted the State will be changing reporting requirements and there will be a statewide database. Rep. Beaton replied that a database would be helpful due to the number of programs. He said it would be helpful for the Legislature to have a spreadsheet with all of the programs and where the money comes from. Undersecretary Kates-Garnick noted that a similar spreadsheet was done for Mr. Rio's data response. She asked if Ms. Singleton could define a spreadsheet and the Commission could find a way to fill in the numbers. She continued that if it cannot be done, it could be included in the recommendations. Rep. Beaton said he wants to make sure the State is using money in the right programs in the most effective way. Undersecretary Kates-Garnick noted that timing is important because money is spent on programs

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and the benefits might not immediately show. Mr. Davis said that there is data for some programs, however asked how benefits of renewables could be quantified. Rep. Beaton noted that the focus is more on costs, not on net environmental benefits. Undersecretary Kates-Garnick said that the cost information is there but the methodology of benefits should also be included. Ms. Upal agreed saying that a monetary number is hard to give as just a number without understanding the benefits. Rep. Beaton noted this could be a starting point as an analysis of a program and there could be an asterisk to discuss it further. Professor Kaufmann said what the State is getting for them is the issue, and it can be misleading unless the costs and benefits are matched. Rep. Beaton replied that what a benefit is should be left to interpretation of the individual. He noted that for example, a thought in his party is that global warming is not real. Mr. Goldberg responded that the discussion is not where global warming is coming from but the fact that the climate is changing should be addressed. Professor Kaufmann noted that it is hard to compare costs if you don't look at the benefits. Rep. Beaton said he would like to see costs program by program with some benefits to understand how the State is utilizing dollars in each program. Undersecretary Kates-Garnick noted that with solar there are many benefits, ones that are tangible to ratepayers, such as displacement of plants. Rep. Beaton agreed however stated that he wants to know what the solar programs are and how the State is investing in solar. Undersecretary Kates-Garnick noted that investments have time value. Ms. Carvalho noted that all low-income programs are efficient but are expensive. Professor Kaufmann asked if Rep. Beaton is looking for a baseball card sort of analysis for each program. Ms. Upal said the AGO submission included a program by program analysis. Undersecretary Kates-Garnick agreed it would make sense to include this type of analysis. Ms. Singleton said this would be helpful as there is no way to synthesize all programs. Mr. Davis noted that the numbers wanted would cost similar to a fee for a consultant's sophisticated model. Rep. Beaton said there are new programs that are spending money; the Legislature wants to know how the State is doing collectively, where the money is coming from and is there effective spending.

Undersecretary Kates-Garnick noted the next meeting is June 19.

The meeting adjourned at 2:00pm.

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