

## Energy Policy Review Commission - Unofficial Minutes

Wednesday June 5, 2013

2:00pm – 4:00pm

Executive Office of Energy and Environmental Affairs

2<sup>nd</sup> Floor Conference Room D

### Members in Attendance:

Bob Rio	A.I.M
Sandra Merrick	AGO
Elliot Jacobson	Action, Inc.
Tom Regh	Progressive Energy Services
Robert Kaufmann	Boston University

### Others in Attendance:

Dan Burgess	EEA
Kevin Galligan	Cape Light Compact
Nathan Phelps	DPU
Jodi Hanover	Rich May, P.C.
Andrew Goldberg	AGO
Martha Broad	MassCEC
Barbara Kates-Garnick	EEA
Hinna Upal	EEA
Lauren Farrell	EEA
Mark Sylvia	DOER
Tina Halfpenny	DOER
Jessica Bardi	EEA
Justin Lukoff	EEA
Rita Carvalho	Action Inc.

### Documents Discussed:

- Agenda
- Draft Report
- Draft extension letter to Legislature
- Draft report objectives and metrics
- Elliot Jacobson's statements on "Job Creation"
- Tom Regh, Home Energy Services analysis

*Barbara Kates-Garnick called the meeting to order at 2:08pm.*

### Introduction

Undersecretary Kates-Garnick welcomed the Commission members and meeting attendees and started the introductions around the room. She noted that there has been significant progress on drafts recently. She continued that Mr. Rio and Ms. Merrick provided a first draft of an extension letter and EEA provided revisions. She also noted that the end date was changed to October-31 and there is concern because the Commission would not be able to take the summer off, rather work through to October end date. Mr. Burgess noted that the edited letter is very similar to the first draft, just shortened and EEA felt it was important to be very clear about what the Commission wants. Professor

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Kaufmann stated that he needs more time to do his analysis. Undersecretary Kates-Garnick asked how Professor Kaufmann would like that to be included in the letter. Professor Kaufmann stated the letter could say that gathering data has been more time consuming. Mr. Burgess said he is hopeful to wrap up the letter and vote at the meeting. Undersecretary asked what the next steps from the Legislator are once the letter is sent. Mr. Burgess responded that the letter would be sent on behalf of the Commission from the Chair and must pass through the Legislature as it is a change to the statute. He noted that the Commission should proceed as is with the shortened schedule as there is still the possibility the report could be finished by next month. He said that it is still premature to state decisions but knows the Legislature is looking forward to the report and would like it sooner than later. Undersecretary Kates-Garnick asked if the Commission would vote on the letter.

Professor Kaufmann: "Move to Second"

Mr. Regh: "Second"

Commission: "I"

Undersecretary Kates-Garnick noted that Ms. Merrick was the only member to comment on the Commission's unofficial minutes. Ms. Upal stated that there is a quorum and if the members can confirm they looked over the minutes, a vote can be taken to make the minutes official. Undersecretary Kates-Garnick noted that the minutes will be approved up until May-22.

Ms. Merrick: "Move to Second"

Professor Kaufmann: "Second"

Commission: "I"

Regarding the Commission input to date, Undersecretary Kates-Garnick noted that Mr. Jacobson has submitted official positions and Ms. Merrick is standing by her outline submission. Mr. Calnan noted that he has been submitted bits and pieces. Ms. Merrick said she is relying on what she submitted. She continued that her submission emphasizes the need for a cost/benefit analysis and asked the other members if they felt it was something the Commission should do. Professor Kaufmann noted that the work he is trying to do would be applicable for a cost/benefit analysis. Mr. Rio agreed that a cost/benefit analysis would be the next step/finishing touch on the report if they could hire an outside person. Undersecretary Kates-Garnick asked how the Commission would pay for an outside person. Mr. Rio responded that the Commission could ask the Legislature for the money. Ms. Merrick agreed the Commission could ask the Legislature. Mr. Regh asked Ms. Merrick to clarify what she was looking for. Ms. Merrick responded that an analysis should be done for Energy Efficiency and Renewables, including such programs as *Green Communities Act* and *Lead By Example*. Mr. Regh asked for what period of time. Ms. Merrick replied that a hire consultant would help determine a time frame. Ms. Halfpenny asked if Ms. Merrick is proposing to do a cost/benefit analysis of energy efficiency programs. Ms. Merrick responded that the statute asked for a cost/benefit analysis of all programs and to review them for their effectiveness. Ms. Halfpenny questioned if the Commission could use the many cost/benefit analyses that already exist. Ms. Merrick questioned why then the Legislation would include it in the language of the statute. Ms. Halfpenny suggested doing a review of the analyses that exist instead of a new analysis. Ms. Upal agreed there are many analyses already done but the Commission could look into a broader cross analysis. Undersecretary Kates-Garnick noted that would be hard to get funded in a tight budget year. She said that a lot of data has been presented to the Commission and is confused about what Ms. Merrick thinks should be analyzed. Mr. Regh stated that he felt the term "audit" is inappropriate. He agreed there is a lot of data out there and he took an independent look at the data himself.

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Undersecretary Kates-Garnick suggested a cost/benefit analysis be more of a recommendation than as part of the report itself and asking the Legislature for money. She noted that asking the Legislature for money and an extension would cause issues. Mr. Burgess noted that the statute states the Commission should come up with an analysis and then make recommendations going forward. Professor Kaufmann noted that a cost/benefit analysis is a framework for analysis. Mr. Galligan noted that a cost/benefit analysis would cost around \$150,000. He continued that Undersecretary Kates-Garnick has pointed out the wealth of data that is available and if the Commission feels there are further concerns, they should be included in the report recommendations. Ms. Merrick said that it is not the position of the Commission to just look at data and slides. Mr. Galligan replied that the Commission is set to meet again in 2017 so there is plenty of time to tee up discussion. Ms. Merrick responded that she did not think of the Commission reconvening in 2017 but needs to know if the Commission does not want to do a cost/benefit analysis or hire a consultant. Undersecretary Kates-Garnick noted this is part of the reason there is an academic seat on the Commission; Professor Kaufmann's data is the framework of a cost/benefit analysis. Ms. Merrick agreed and offered Professor Kaufmann help, if needed. Mr. Rio stated that the problem he has with cost/benefit analyses is that they compartmentalize, however he would be interested in looking at all of the programs as they relate to each other. Ms. Merrick asked Professor Kaufmann what data and analyses he is currently putting together. Professor Kaufmann replied that he is look at renewables and figuring out the value of kW of PV and wind relative to average use. He noted that he is also looking at carbon savings. Ms. Merrick asked if there is a way to look at methane savings. Professor Kaufmann responded that the opportunity is there though it would be as a different metric, such as "radiative forcing". He asked if members could sketch out very clearly what they would like to see so he can try to measure it or develop a framework. Undersecretary Kates-Garnick noted that a full analysis is not needed, as it is above the scope of the Commission, but Professor Kaufmann can help to develop a framework. Ms. Merrick asked what the Commission would want to come from a cost/benefit analysis. Professor Kaufmann said that it would be helpful to frame the analysis as "what are the costs? What are the benefits". He said they would not be measured but can set up a measurement framework and could look at measurement investment options such as warming avoided, lower electricity costs, etc. Undersecretary Kates-Garnick responded that this type of analysis would be helpful and can justify the need for the time extension. Mr. Jacobson noted that the DPU spends a lot of time doing this type of analysis. Undersecretary Kates-Garnick replied that there are several people and resources she can connect Professor Kaufmann with when he does his research.

Ms. Merrick stated she has a misunderstanding with the metrics in that the Commission would be filling out the metrics, not sending a list to the Legislation. Mr. Burgess noted that the Legislature asked the Commission to determine metrics to which he hopes the Commission will agree on a set of metrics and objectives as have been laid out. He said that the report will touch on everything that has been asked of the Commission. Mr. Phelps noted that everyone is working on very limited resources and to remember that a lot of work has already been done. He recommend that the Commission try to identify existing analyses. Ms. Merrick agreed and noted that the Commission is supposed to look back, not do new policy. Mr. Burgess disagreed, saying the statute does ask for as review of programs as well as recommendations. Undersecretary Kates-Garnick agreed with Mr. Burgess. Mr. Regh stated that he has done a review of the data and provided some metrics. He continued that the work he has done is an example of what the Commission can do at no cost, however it does take time. Mr. Rio noted that lower electricity costs/use should be included in benefits as it is a direct benefit for the ratepayers. He continued that carbon reduction is a secondary benefit and does not directly benefit ratepayers. He also noted that the Commission should focus on Massachusetts benefits more so than societal benefits. Commissioner Sylvia disagreed, saying that GHG reduction is not a lesser goal or secondary benefit,

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rather a primary benefit. He noted GHG reduction benefits all and there are metrics that exist. Mr. Rio replied that he doesn't have a problem with that.

Mr. Burgess noted that everyone has a copy of the latest version of the draft report. He said that some members have provided positions/recommendations however Mr. Jacobson's positions are the only ones that have been added into the draft report thus far. He continued that the Commission has covered the first three topics so the Commission can review "job creation" and move on to the next topics.

### **Job Creation**

Mr. Burgess reviewed the "job creation" metrics discussed at the last meeting. Mr. Rio asked if anyone had seen the article in the Globe stating that Massachusetts is a magnet for jobs and how policy was tied in. He added that he would like to identify what is creating these jobs. Undersecretary Kates-Garnick noted that she took the article as Massachusetts policies are additive to jobs. Mr. Rio responded that he wants to know is if what the State is doing is creating jobs or if it's just a small additive, and he wants to quantify that.

Undersecretary Kates-Garnick felt "job development comparative to other industries", such as the biotech industry, should be a metric. Mr. Rio responded that it would be difficult to get those numbers and that there are tax benefits no matter the industry. Mr. Jacobson noted that "synergy" has not been mentioned as a metric, though he thinks synergy is hard to define and it may be hard to find non-energy/synergistic benefits. He noted that a recommendation from the Commission should be to have data organized in a thoughtful way. Mr. Regh asked what was meant by volatility. Undersecretary Kates-Garnick noted that volatility could be looked at in many ways. Ms. Upal stated that businesses want to predict what their prices are. Mr. Jacobson noted that low-income clients can't afford volatility and that he feels a different word should be used. Undersecretary Kates-Garnick suggested using fluctuation instead. Mr. Rio noted that most people are not affected by day to day volatility. Professor Kaufmann added that the Commission should look at how the State compares to other states and why Massachusetts prices are they way they are and perhaps the Commission can find something to improve the State's standing relative to other states. Mr. Regh noted that there are things that can and can't be controlled and the Commission should be looking at reducing fluctuations over things there is control over. Mr. Phelps noted that the things Massachusetts has control over are on the demand side; everything else is on the Federal side. Mr. Burgess suggested "vulnerability" instead of volatility. Ms. Merrick suggested "uncertainty". Ms. Upal noted that "volatility is an unbiased word and the Commission just needs to unpack it. Mr. Burgess suggested "price vulnerability and uncertainty".

Mr. Rio noted that the story in Massachusetts has been lacking; the electricity use is 50% non-carbon emitting and the rest is natural gas which is the lowest carbon profile in the country and no one knows that. Undersecretary Kates-Garnick noted that people locate for many things such as wages, skills, and/or housing and the Commission should be clear about what a comparable state is. Professor Kaufmann asked if there is a record about what type of industries have moved out of the State. Mr. Rio responded that it depends on the company and they could move out for tax incentives or lack of talent but it is tough to tell.

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### **“Reducing Costs of Electricity for Commercial Industrial and Residential Customers”**

Mr. Phelps asked what the time frame would be as the time frame would determine how to look at this topic. Mr. Burgess stated that it would be up to the Commission to decide the time frame. Mr. Rio suggested looking at the running average, like the last 5 years for example. He stated there is a note to be paid and the Commission should look at that component. Undersecretary Kates-Garnick replied that is the stranded cost component and they have been paid off for 30 years. Mr. Rio responded that his fear is that they are reducing some costs. Undersecretary Kates-Garnick replied that it was a policy decision to lower the cost of electricity 20 years ago. She said that the State’s energy costs are a legacy of policy and legislation decision over a period of years. Mr. Galligan reminded that the State’s infrastructure compared to other states is built to the 1800’s and that grid modernization would add some costs. Commissioner Sylvia stated that there is an ongoing restructuring study with DOER and the AGO and is due sometime in July.

Mr. Burgess urged the Commission to continue the discussion on metrics. Mr. Regh said that the Commission is not tasked on retrospective costs, but what the legislature can do to lower costs going forward. Professor Kaufmann asked if the goal is to reduce costs, then does that mean it is also to try to reduce demand. Undersecretary Kates-Garnick asked if he was referred to the feedback effect and noted that it is a very good point to make. Mr. Rio noted that people do what is the biggest bang for their buck. Undersecretary Kates-Garnick asked how to put that into a metric perspective. Professor Kaufmann suggested using prices by consumers compared to other states and what the average cost for budgets for businesses and residents. Mr. Phelps noted the importance of separating costs from bills; as costs are increasing, lower demand could lower bills. He continued that real time pricing could raise pricing and the incentive to use at night could lower bills. Mr. Rio noted that time shifting ability is different for commercial customers. Undersecretary Kates-Garnick asked if there was a metric for this issue. Professor Kaufmann suggested two things, “price affect” and “burden affect”. Undersecretary Kates-Garnick noted that energy policies are laid in where supply and demand meet at the optimum space. Mr. Rio said to remember who operates 24/7 and when capacity is transferred to off-shift hours. Professor Kaufmann noted that is what he meant by burden. Mr. Galligan noted one thing to get through in the recommendations is that everyone pays for 1 peak of capacity for a whole year. He continued that there needs to be a way to reduce demand; one way could be to reduce peak with more efficient air conditioning.

Undersecretary Kates-Garnick asked if there are any further metrics to add. Professor Kaufmann suggested “share of income spent on electricity by income levels” and “industry share of budgets over time”. Undersecretary Kates-Garnick noted that significant progress was made and that Mr. Regh was promised time to discuss his analysis. Mr Regh said that his work is the kind that can easily be done; it only took him 4 hours. He said that the data was used from sources presently available. Mr. Regh said that his analysis captured all costs and some benefits and his proposed metrics are numbers that are measurable (ie: how much money is spent). He noted that this analysis is just an example of the information that is out there and what can be done, without any special skills and some time. He recommended that the Commission decide what to look at in this way. Mr. Phelps noted that he has spoken to Mr. Regh previously and that the DPU file room has plenty of information and data available. Ms. Halfpeny noted that data through EEAC is also available. Mr. Regh said that the data is there and the Commission needs to ask if the goal is right, which is what he tried to do in his example. Professor Kaufmann noted that can be hard to do and asked if time related savings was included. Ms. Halfpeny noted that those would be energy benefits. Professor Kaufmann asked if those were time related though. Mr. Phelps noted that an avoided costs study is done on an hourly basis. Professor Kaufmann

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said he just wanted to know something is done and would be interested in walking through that data. Undersecretary Kates-Garnick said that with high level analytics, the numbers need to be qualified and the Commission needs to decide whether to come out with numbers or a framework with analysis. Mr. Regh noted that determining where the numbers came from is the same issue. Undersecretary Kates-Garnick replied she felt the report shouldn't get hung up on this kind of analysis.

### **Next Steps**

Undersecretary Kates-Garnick stated that the Commission needs to finalize metrics by next week and find a way to come to a consensus. Mr. Burgess noted that the plan would be to finalize and send the extension letter and for the Commission to finish metrics. Ms. Merrick asked if the plan is still for each member to write their position. Undersecretary Kates-Garnick replied that is still the plan and the Commission cannot assume they will be granted the extra time so they need to work through as the plan already is. Mr. Burgess noted he feels the Commission report is currently in a good position.

Ms. Halfpenny added it would be more helpful to look at annual numbers as looking at just Q1 is not proposed and approved by the council and DPU. Mr. Regh replied that he can put together a 2012 program review. Mr. Galligan noted that the numbers don't come from quantifying; they come from the annual reports. Ms. Hanover added that the evaluations used in the annual reports are different. She said the annual report will be filed on August 1 and there are several studies coming in now.

Undersecretary noted that the EEAC has a meeting next week that intersections with the Commission meeting. She asked if the Commission would mind coming in at noon to accommodate those members who have to attend the EEAC meeting. All members agreed.

*The meeting adjourned at 4:01pm.*