

THE RI ENERGY EFFICIENCY AND RESOURCE MANAGEMENT COUNCIL

MINUTES—January 15, 2009

Place: Department of Administration Conference Room B

Call to Order: Chairman Ryan called the meeting to order at 3:40 PM

Members Present: Andrew Dzykewicz, Paul Ryan, Christopher Powell, Joe Newsome, Dan Justynski, Sam Krasnow, Vic Allienello, Tim Stout

Others Present: Erich Stephens, David Brown, Libby Kimzey, David Fox, Dan Prentiss, Thomas Teehan, Ken Payne

Staff Present: Janet Keller, Charles Hawkins

Consultant: Mike Guerard, Scudder Parker (by teleconference)

Acceptance of Minutes: The December 11, 2008 minutes were approved.

Executive Director's Report:

Andy will send a letter asking the Governor to fill the vacancy left open by Al Degan's resignation and to appoint a Vice-Chairman

RGGI Plan

Janet K. gave a briefing on the progress of the draft RGGI Plan and report to the General Assembly. Proceeds from 2008 were \$2.7 million. The four auctions planned for 2009 could yield \$7.2 million. A national carbon plan could result in less money for RI. The plan is to have 60% going to utility LCP energy efficiency and 40% going to utility LCP innovative pilot projects with \$200,000 of the innovation money going to post combustion carbon capture as suggested by DEM. The \$200,000 could leverage \$1 million from DOE.

The Conservation Law Foundation sent a letter objecting to using RGGI funds for carbon capture.

The plan will go to the DEM Director for his review after a meeting with DEM & OER staff on Friday. The intent is for the innovative energy efficiency projects to be administered through the EERMC/DEM subcommittee.

Sam K. commended OER's work on the plan and suggested that 70% be allocated to utility LCP and 30% to the innovation projects.

The public hearing process could change details of the plan. There is a need to get the plan to hearing quickly. The report to the General Assembly is two weeks late. The OER has consulted with Assembly policy people to update them on the Plan. In regard about how ratepayers benefit

from carbon capture, utilities would need to buy fewer allowances thus reducing rates. A legal opinion is needed on using RGGI funds for carbon capture.

The Aquidneck Island Planning, Interfaith Power and Light, and the City of Providence have proposed energy efficiency plans.

RI Housing is looking at an energy-efficiency loan program for moderate incomes. It would reduce the interest on loans for energy-efficiency equity loans that would leverage more money.

There are also DEM proposals on retrofits for high-energy users and carbon capture.

The EDC has proposed using most of the money to fund renewable energy projects.

The group discussed standards for the use for the funds. It was felt that RI ratepayers as a whole should benefit. There is a need for rules, regulations and criteria in the plan to weigh one project against another. Whoever saves the most energy gets the money.

Joe N. then asked if there was a law that required the 40% projects go out to competitive bidding. Andy did not think they did. OER staff will research this matter.

Paul R said the EERMC has to vote on the document and not add to it. Either vote for it or vote for it with qualifications.

Regarding the 5% for administration fee going to the OER & DEM, all of the funding supporting the OER comes from federal funds from the various programs the office runs. The State does not fund any of the OER's activities.

Sam K. wanted to make sure the council would try to get the RGGI funds exempted from the 10% indirect charge that goes to the general fund.

Sam K. made a motion that the council approve the draft report and plan with the comment that some member still want to look at a higher percentage for LCP.

Sam K. then proposed another motion: that the EERMC has had input into the process of formulating the plan and has been consulted with.

The motion was seconded and passed.

Dan J. requested that important motions be vetted by legal consul before the meetings.

Utility Scale Renewable Procurement

Dan Prentiss presented his legal opinion on whether the EERMC has a role in the procurement of supply, particularly large-scale renewables. Dan said that Least Cost Procurement (LCP) is an umbrella with four sub-topics: 1. System Reliability 2. Energy Efficiency Procurement 3. Conservation Procurement 4. Supply Procurement.

He distinguished between EERMC obligations and its general authority. The statute designates only two duties:

1. To prepare findings and recommendation regarding system reliability and conservation procurement. Dan believes the March 1, 2009 report is not to include supply procurement.
2. A system reliability and efficiency procurement opportunity report to be submitted by 7/15/08 that does not have to include supply procurement. However, the electric utilities report concerning LCP must address supply procurement. The EERMC can comment on renewable energy supply in their comments to the PUC. He believes that the EERMC has discretion in deciding its role in supply procurement.

Tom T. of N. Grid said that Grid filed a letter on 12/10/08 on supply procurement that agrees with Dan P's opinion, citing various legislation. The basis of Grid's letter was that the EERMC is involved in energy efficiency and demand side management but not in electricity supply procurement, which is the jurisdiction of the PUC.

Paul R. asked Ken P., who assisted in drafting the legislation establishing the EERMC, to discuss legislative intent.

Ken P said that it was obvious to the legislature that the PUC was a reactive entity and that there was a need for an entity to look at energy issues in a broader more pro-active manner on an enduring basis. The council was given broad latitude in what it could look into and the entities it could advise. The Assembly also gave the Council tasks that were obligatory because it did not want those things to be missed. These obligatory duties do not define all that the Council can do however. The Assembly expected the Council to look into a variety of matters and the Council can prioritize what it thinks is important, such as energy issues related to low-income communities. The membership of the council was made diverse so the council would have various parties that could bring these types of issues to the fore.

Eric Stephens of Bluewater Wind presented his company's views. He said that LCP is not the same as cheapest. What is cheapest today could be the most expensive five years from now. He said that the PUC proceeding this fall made it clear that System Reliability was not limited to small renewables and distributed generation and that the PUC moved to change the language to include all renewables. He said that if the Council is obligated to look at System Reliability, he believes that system reliability includes resource diversity. He believes that the Council has the authority to look at the supply issue and that as a good policy that it should.

Dan P. said, in RI there is no such thing as legislative history so all you can do is try to draw some logic from the words used. It is clear that the Council does have broad discretion in what kind of topics it can deal with but that the obligatory reports are more restrictive.

Andy D thought it would be useful if the Council could commission a report on when renewable energy becomes cost effective.

Scudder P said that it was clear that the Council was tasked to do energy efficiency and system reliability first and then look at the supply issue. You develop plans to buy energy efficiency and system reliability as your first priority and the volume of your supply is determined by how successful you are with your energy efficiency plans.

Chris P. said that the Council needed to get an interpretation of what their role is and how they should proceed.

Paul R. suggested sending the PUC directive from the November 2008 meeting out to members for the February meeting.

Dan P. will then work to draft a motion that can be voted on in February and then sent to the PUC by March 1, 2009

Ken P. though it would be useful for the Council to get a letter from legal counsel on the Council's authority and obligations to the PUC so the council can facilitate a more specific motion to the PUC.

Paul Ryan made a motion to that effect.

It was seconded and agreed upon.

Federal Stimulus Legislation

Andy D. said that the OER asked the Council for ideas on energy projects that can be ready to go in 180 days.

Suggestions included:

- Expanding state-approved energy efficiency programs.
- The URI Center for Renewable Excellence
- The Tiverton eCo Park that will use wind turbines to generate its energy and electric cars as storage devices for renewable energy.
- Expand gas and electric energy efficiency plans to users of oil and propane at the same level of services offered to gas and electric users.

Everybody agreed that the last suggestion was a good idea. Job creation will be a criterion for funding.

In response to Joe N.'s question re whether money was just going to states, Andy D. said it was going to cities too. NYC has already applied for funding. The mayor of NYC said it could create 400,000 jobs. 70% of the block grant funding of \$4.4B in the House bill would go to large cities.

Fuel Neutral Weatherization

Sam K. recommended that the EERMC formulate its own strategy for expanding N. Grid gas and electric customer services to oil customers because the federal funding may never come through. He wrote up a few principles to start a discussion for a similar structure to the comprehensive weatherization services offered to Grid customer that would include an SBC charge for oil customers to provide a revenue stream that would be used to do comprehensive weatherization work. It may be best to have Grid administer the program and he felt it was essential to get the programs up and running as soon as the Assembly approves enabling legislation. EERMC would then issue guidelines. He was concerned with both boiler replacement and weatherization. He

would like to incorporate comments from the group and he hoped members could send comments.

Andy D. asked Sam to e-mail members copies of his principles.

There was concern that given the budget deficit, the General Assembly would be unwilling to add any new fees.

One member asked about using RGGI proceeds. Another said that money would not go very far.

Other suggestions for funding included:

- A tax exemption for oil dealers so it is not a new revenue stream that can be scooped.
- Using this year's LIHEAP windfall for a revolving energy efficiency loan program

Adjournment: The meeting was adjourned at 5:40 PM