

ENERGY EFFICIENCY AND RESOURCES MANGEMENT COUNCIL

Minutes-August 8, 2013

Conference Room B., Second Floor DOA

Call to Order: Chairman Ryan called the meeting to order at 3:30 PM.

Members Present: Paul Ryan, Julie Gill, Joe Cirillo, Abigail Anthony, Dan Justynski, Jennifer Hutchinson, Chris Powell, Marsha Garcia, and Marion Gold

Staff Present: Charles Hawkins, Chris Kearns, Rachel Sholly and Danny Musher

Consultants: Mike Guerard and Sam Huntington

Others Present: Rachel Henschel, Jeremy Newberger, Nick Corsetti, Kate Brock, Puja Vohra, Karl Munzol, Catriona Cooke, Courtney Lane, Michael McAteer, Belinda Wong, Chon Meng Wong and Greg Johnson

Acceptance of Minutes: Dan Justynski made a motion to approve the July minutes after he pointed out two minor typo errors that need to be edited. It was seconded by Joe Cirillo and passed unanimously.

Executive Director's Report

Marion Gold began by introducing Kate Brock, the Governor's policy aide for energy transportation and the environment. She then had Council members introduce themselves and the constituencies they represent. Kate B. thanked the members and said that she would be attending future meetings.

The Rhode Island Public Energy Partnership (RIPEP) received \$1.8 million in Regional Greenhouse Gas Initiative (RGGI) funding that has been send to NGrid, of which \$1.5 million will go to municipal and state projects, and about \$370,000 to community non-profits. OER is developing guidelines for NGrid to use to oversee the allocation of this funding. The money will go to on-bill financing for the municipal sector and for negotiated incentives. As part of the RISEP, OER is continuing to meet with municipalities. As planned, OER is building on the EPA Climate Showcase Project which included four municipalities. South Kingstown has agreed to serve as the showcase community based on the work they did on the EPA project. They have done an industrial grade audit to use in their capitol planning and they have had savings beyond projections.

OER has been participating in the DSM Collaborative meetings and coordinated two meetings of the Savings Targets Subcommittee. A meeting of the System Reliability Plan Subcommittee has been planned for Friday. The Energy Expo Subcommittee met by phone.

OER has also been working with municipalities on the implementation of the new streetlight legislation which has received national attention for its innovative components. NGrid is developing a streetlight tariff that is due in Mid-September. OER's Chris Kearns is continuing to develop guidelines for the PACE Program. OER plans to transfer funds from the loan loss reserve to RI Housing within the month. \$1M in ARRA funding will be set aside as a loan loss reserve for the private banking partners that agree to participate in the program. The next steps are to identify those partners and mapping out an implementation plan with NGrid.

Discussion & Vote on the Proposed Three Saving Targets for September PUC Filing

The C-Team's Mike Guerard and Sam Huntington were introduced to give this power point presentation (attached). The targets serve as guideposts as NGrid develops its Three-Year Energy Efficiency Program Plan (EPPP) and the more detailed annual EPPs. They represent levels of EE that are cost-effective (CE) and less than the cost of supply and are based on assessment of achievable potential.

Budgets and cost are critical to this process, but it is too early to set budgets related to the targets. There will be four opportunities to review costs and budget during the EPPP process; the submittal of the Three Year Plan which goes to the PUC September of 2014; and then when developing the three annual EPPs which will look at CE.

So it is premature to look at costs and budgets. Some of the factors that make it too early to look at budgets are possible federal grants, RGGI funds, new lending strategies, and better program design. RGGI funds can be used to leverage things like RIPEP for more CE EE.

It is also important to compare the cost of EE to the benefits which include economic benefits, job creation, reduced environmental impact, and lower energy bill on average. The DPUC did a rate and impact study that show reduced bills for EEPP participants and, on average, for Rhode Islanders as a whole.

Chris P. asked why program optimization was not included as one of the factors in program design. Is this going to be taken into account as the EEPP scales up. He said that RGGI was one of the factors but that funding is coming from ratepayers. Will these funds go back into the programs? He does not want to increase targets without knowing how much it is going to cost. We have not dealt with the financial alternatives to the extent that they are innovative and cover all customer classes. He feels that we need to take a step back and analysis the program before we grow it more. Mike G. said that optimization can go on the list and that there will be lots of opportunity to get the cost efficiencies. He said the challenge is to deliver it as CE as possible.

Abigail A. said that these are not binding targets. She said that the Council had to change the natural gas (NG) targets during the last

three year cycle because of changes in the variables that no longer made them CE. However, although not binding, the targets help with planning.

The electric savings targets were developed by adjusting the 2010 KEMA Potential Study to reflect the most up-to-date data. For NG the C-Team assessed regional potential studies and program performance from neighboring states. The C-Team displayed a summary table that found the potential estimate to be at 2.7%-2.9% of CE annual electric savings. On the gas side, a review of available studies suggests 1.6% CE annual gas savings is an achievable level. A lot has changed since 2009, the largest being avoided cost which is 40% higher than it is today. The NG trajectory for neighboring states suggests a slow but steady increase and the C-Team recommends RI take a similar path.

Abigail A. asked if it makes a difference that in RI we didn't have least cost procurement (LCP) for NG for a number of years after we had LCP for electric. When gas LCP was added, there was pent up demand that reflected a steeper trajectory in RI. Did Massachusetts have LCP in their statute from the beginning? Jeremy N. said that NG EE in Massachusetts was part of the Green Communities Act and that they are also experiencing a strong NG ramp-up.

Chris P. asked if Tec-RI weighed in during the collaborative target setting exercise.

Mike G. said the targets were not posed as a specific vote. The issues were discussed and participants were asked if they had any objections. The DPUC had reservations on the budget but no clearly defined objection to the targets. Abigail A. said during the discussion there was no disagreement that the estimates of CE potential were off.

Chris P. said that the DPUC was in agreement that the potential exists; but they have reservations about how the service benefit charge (SBC) will be impacted in the future. The DPUC's rate and bill impact study helped shaped these targets.

Chris P. asked if the Council has the ability to change those targets. He said he has had a lot of discussion with large C&I customers and TEC-RI has been weighing in on the impact of the SBC. This can be as much as \$100,000 a month for large users. They have to weigh in the cost benefits. A lot of obstacles, like financing, have not been addressed yet. Some feel they are paying into something they can not use. Targets impact budgets and they affect bill impacts. If the targets can get to CE EE without raising the SBC it works for him. He has been hearing from his constituents that say let's slow down and be prudent. Let's see the results and then tweak the model to deliver more EE without SBC concerns.

Dan J. asked how many TEC-RI members were constrained from participating because of the cost of capitol. Chris P. said that, on the industrial side, his gut is that it is between 60-70% that want to do

improvements but don't have the financing. Dan J. commented that the on-bill financing, made available to small businesses last year, is not available for large C&I. Dan J. said we need to find a better cost of capital for large C&I. He does not want to see a rate class denied CE EE because of financial constraints.

Chris P. said costs are increasing for C&I with the raising of the SBC, the Renewable Energy Charge and the potential impact of the Deepwater project. This all turns out to be a big paycheck for C&I customers. New financial tools are needed to close this gap. Abigail A. agrees with Chris P. and said this has been discussed in the DSM Collaborative for many months. The goal is to look at all factors to energy savings to maximize the benefits to ratepayers. The bill and rate impact study gets at who is being served, and takes a hard look at participation. We need to devise strategies to reach those not being served. Chris P. agreed, but he said let's look at results before we set more aggressive targets. Some people see targets as goals and this could have a major impact on ratepayers. He said RGGI is an example. With the new cap, there will be more funding coming in to do EE, but that is funded by generators who charge their rate base.

Mike M. said that we need to change the paradigm from continuing to add cost to customers and be mindful of rate impacts while continuing the current level of success. We need to look at strategies that maintain this success without adding cost. We can use some of the RGGI proceeds for on-bill financing capacity. Jeremy N. said that

the letter in the member's briefing package contains over \$4 million in the unanticipated fund balance for large C&I revolving loans.

Chris P. agreed that progress has been made but we need to slow down and reflect on what has been done and see how we can do it better. He would be comfortable with higher targets if we understand the risks. Abigail A. believes that the targets that have been proposed are prudent and they are more gradual than in the last three year plan. In 2010, she remembers more friction between parties, this year there was less friction. Mike G. said that the parties found a middle ground this year, with smaller increases. Flat lining will result in not achieving the LCP potential and hurt the momentum that is building. If you don't set targets that are a little bit of a stretch, we won't do the hard work to get to more CE EE.

Mike G. said that the C-Team, along with the savings target's subcommittee, recommends that the Council vote to approve the proposed savings targets that are due to the PUC on September 1. The PUC will then undergo its own process.

Chris P. made a motion to stick to the 2014 savings target levels (2.5%) and continue at that level until the Council reviews and assesses the results of the 2013 EEPP and the impacts in 2014 of other programs that could help the Council in reducing the SBC. Joe C. seconded the motion. Chris P. and Joe C. voted for the motion, Dan J., Abigail A., Marsha G., and Paul R. voted against so the motion

did not carry.

Abigail A. then made a motion that the EERMC vote to submit the savings targets, proposed by the C-Team and the savings targets subcommittee, (2.5% in 2015, 2.55% in 2016, and 2.60 in 2017) to the PUC for approval on September 1. Dan J. seconded the motion. Voting for the motion were Abigail A., Dan J., Paul R., Joe C., and Marsha G. Chris P. voted against the motion. The motion carried by a 5-1 vote

NGrid Update on the Second Quarter EEPP Results

NGrid's Nick Corsetti was introduced to give the residential update. He referred members to a handout that summarizes all of the programs in the EEPP. He cited an energy awareness night in Tiverton & Little Compton that was attended by about 150 people where NGrid talked about the System Reliability Pilot and EEPP initiatives. RISE signed up 35 people for energy audits. NGrid believes these community meetings are a successful model and a good way to connect with their customer base.

The numbers look good on the residential side and NGrid will meet or exceed their electric and gas savings goals with energy audits increasing. The RI Energy Challenge, which looks at for ways customers can save energy, kicked off in May at Roger Williams Park with 85 people in attendance. No. Smithfield and Cranston are in

competition to see which municipality can get 5% of their residents to sign up first.

The RI NG Expansion Pilot Program has been launched, with 14 communities designated as CE opportunities to expand their NG infrastructure. Meetings are being held to see who wants to convert. The more people in the town who convert, the less they pay for the hookups, although NGrid is already paying 75%. It has been a good working model with NGrid already holding two meetings with three more scheduled by the end of the month. Dan J. asked about the list of the towns NGrid are going to and how the communities get notice. Nick C. said that NGrid has been doing proactive outreach. They found community style meetings are a better way of getting people together. On the EE side, NGrid has promoting EE products by emphasizing energy savings.

Julie G. asked if NGrid was informing prospective NG customers about the possibility of supply constraints because of the antiquated distribution system. There have already been supply problems. Nick C. said that NGrid has touched on this on a high level but have not gone in depth about supply constraints. Julie G. asked if it is responsible to continue to try to increase the use of NG in this area when reports say that the distribution system is not adequate to provide for the supply now, especially with power plants converting to NG. What is going to happen to the people in this state if you don't have the supply? Nick C. said that was a valid point but he is not

responsible for the pilot program.

Abigail A asked if NGrid was using these conversions as an opportunity to leverage weatherization in homes. Nick C. said that NGrid has been informing new gas customers of rebates and other incentives to drop down cost. When people convert, NGrid gets RISE in to do an energy audit, to look at weatherization opportunities. Mike M. cited a letter from a conversion customer who said that RISE provided a seamless process.

Karl Munzel, from the audience, asked if there is data on renters who pay into the SBC but can't take advantage of it. Rachel H. said that renters can get an energy assessment but they need to do the weatherization work in conjunction with their landlords. In units of four families and above, NGrid is ramping up its multi-family initiative. She said that the ratepayers are not broken down by renters. A 2009 study gives an assumption of the number of renters and it was based on surveys.

Puja Vohra was introduced to give a C&I update. She said NGrid currently is projected to reach 107% of their electric goal and about 100% of their NG goal. In the new construction program, the upstream lighting initiative is doing well. It is over 70% of the new construction portfolio. NGrid has been strategizing about how to serve the rest of the new construction market which is beginning to really grow.

In the second quarter, the code compliance initiative looked at the target audience and focused on planning. In the third quarter, they will start the code compliance outreach with both the building inspectors and the building industry working in conjunction with Northeast Energy Efficiency Partnerships (NEEP).

The Strategic Energy Management Plan (SEMP) continued its collaboration with Brown & URI. NGrid is now working with the Lifespan Hospitals and hope to get a MOU in place in the 3rd quarter. They have also approached Roger Williams U. and they are interested in participating. By the end of the year, NGrid will have four SEMPs in place. NGrid was asked to give a presentation to other utilities about this program.

In the second quarter, the Industrial Pilot's main task was choosing the five firms to be targeted. NGrid met with Tec-RI members to strategize and look at barriers for industrial customers. They are trying to formulate a unique package for each participant. The municipal program is on target. Designating a dedicated sales person for this sector has been helpful. NGrid is also involved in the RIPEP with a goal of getting more municipal EE projects. Mike M. said the aim is to make EE more affordable for municipalities.

Rachel H. cited a letter from NGrid in the briefing packages that expands C&I financing by making over \$4 million available for

revolving loans. This funding comes from a fund balance transfer. This funding will be available immediately after the PUC is notified. This is a carry-over from the 2012 EEPP funds. This will help C&I customers with capitol financing.

Abigail A. asked if NGrid was working on the third party financing vehicle. Jennifer H. said that NGrid was still working on it. Chris P. asked about Lifespan's interest in investing themselves. Mike M. said that they are looking at a reinvestment strategy that puts the EE savings back into the business to drive more savings. Chris P. mentioned a recent meeting with Emerald Cities that looked at how RIPEP can assist them.

Energy Expo Subcommittee Report on the Home Show Sponsorship Arrangement

OER's Rachel Sholly was introduced to the subcommittee's report. The subcommittee reviewed the two proposals offered by the Home Show: the Basic Package for \$50,000 and the Gold Package for \$80,000. They decided to go with the basic package because it provides a better bang for the buck. She does not think a vote is needed because the Council had already approved \$60,000 to support the expo at a previous meeting.

Dan J. thanked Rachel for her efforts and asked about timing for the coupon link to be included in the March Energy Report on ratepayer's

bills. He thought that for an April event the link should come out in February. He likes the idea of the coupon link and also feels the Council should start thinking about who they want for a keynote. Rachel S. said that she has been in touch with Sen. Whitehouse's office about having Secretary of Energy Moniz attend. Marion G. suggested a committee get together to discuss it.

Paul R. said that a vote was not necessary and the Council should keep the extra \$10,000 available just in case. Mike M. said that NGrid's Paul Cantella is the person to talk to about sponsorship. Joe C. asked if the Council was going to have separate meetings for the set-up of the expo. Rachel S. said that the Home Show will do most of the organizing. This is in lieu of the Council having to hire an event planner. She can put together a list of vendors the Council would like to attend and act as a liaison between the Home Show and the EERMC.

Joe C. said he would like to be involved in the planning and would like the expo to look at what everyday people can do to improve the EE of their homes. People should be able to go there and ask questions about their individual homes. Rachel S. said the idea is to get vendors there that can answer these types of questions. Mike M. said that breakout sessions could help. Rachel H. said that the value of the Home Show is that there are so many different types of vendors. If one vendor can't answer a question they can point them in the right direction. Joe C. said it is a great way for the Council to

get out and meet the public. Julie G. asked if the Home Show was free. Rachel S. said that there was a small charge but she anticipates doing some targeting to the low income community.

Paul R. said that both Taco and Torey have asked him about hosting Council meetings at their facilities. He said if we are going to meet there in 2014, the SOS has to be notified in January. These firms want to highlight their innovative EE improvements. Abigail suggested a meeting there in early winter when the agenda is not as ambitious.

C-Team Monthly Report

Mike G. said the C-Team's primary mission for the last month has been the savings targets. Other work includes working with NGrid staff to prepare the 2014 EEPP and the Technical Resource Manual. They have also been working to update the standards for EE and system reliability. At the next meeting the C-Team will go over this process.

Public Comment

Abigail A. wanted to clarify the rules on proxy voting. It is important that she vote on the 2014 EEPP at the October meeting and she will be on maternity leave. Paul R. said the AG's office clarified this for him and other state officials last week and Council members can not

vote by proxy or send a representative. You must either be on active duty in the military or be disabled with a certificate from the state disability office to vote by proxy. There is no exception for short term disabilities. Marion G. said that legislation is necessary to change this.

Chon Meng Wong, who has a firm, Care Technology, that manufactures LED lighting in Lincoln, RI, wanted to make the Council aware of a RI manufacturing company. Chris P. said that his wife's office has installed this LED lighting and she loves it.

Dan J. made a motion to adjourn. It was seconded by Joe C. and passed unanimously. The meeting was adjourned at 5:20 PM.

Respectfully submitted

Charles Hawkins

Secretary Pro-tempore