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**MICHIGAN CLIMATE ACTION COUNCIL**  
**Residential, Commercial and Industrial Technical Work Group (TWG)**  
**1<sup>st</sup> Draft Summary: Teleconference Meeting, Call #8**  
Thursday, August 14, 2008, 3:00- 5:00 PM EDT

**Attendees**

**RCI TWG Members:** George Curran, Hopkins, Curran & Smith; John Hiefje, City of Ann Arbor; Leonard Parker, Cleveland Cliffs; Frank Schulmeister (substitute for Shelley Sullivan), Chrysler Motor Company

**State of Michigan Participants:** Lynn Fiedler, Michigan Dept. of Environmental Quality (MDEQ); Patrick Hudson, Department of Labor and Economic Growth, Steve Kulesia, (MDEQ); Julie Baldwin, Michigan Public Service Commission; Rick Martin (substitute for Keith Paasch), Department of Management and Budget

**Center for Climate Strategies:** Matthew Brown, Ken Colburn, Tom Looby, June Taylor

**Background documents for call:**

- Notice and Agenda
- PowerPoint Presentation for Call #8
- Revised Straw Policy Options Document
- Summary of Call # 7 (for review and approval)

Tom Looby, Michigan Project Manger for the Center for Climate Strategies (CCS), introduced Ken Colburn who will be the new lead facilitator for this Technical Work Group (TWG) and Matthew Brown who will be co-facilitating and developing the quantifications analyses for this TWG. Both are with CCS. Mr. Colburn called the roll and reviewed the agenda. The Summary of Call #7 was approved with one spelling correction.

**Discussion and Key Issues**

Ken Colburn thanked the TWG members and others for joining the call. He explained that the goal of today's meeting is to further develop the policy options for approval by the MCAC at its next meeting.

There have been substantial changes to the Policy Option Descriptions (POD) document since the last call. Tom Looby highlighted the need to get the next several elements of the

RCI policy option template completed before the next MCAC meeting, including Implementation Mechanisms, Related Policies & Programs in Place, and Types of GHG Reductions. Since Call #7, members of the work group have drafted this text for many of the policy options. For quantifiable policies, Matthew Brown will be developing Estimated GHG Savings and Costs Per MMTCO<sub>2e</sub>. TWG members and CCS will complete Data Sources, Methods and Assumptions; and, Key Uncertainties.

Ken Colburn also noted that the Inventory and Forecast (I&F) Report is on the website and asked the members to review it both for data accuracy and to suggest any improvements.

The meeting moved to a discussion of each option.

### **RCI-1 Utility Demand-Side Management for Electricity, Natural Gas, Propane, and Fuel Oil**

**Jim Ault, Emily Simon, Steve Beckman and Rob Ozar, and Frank Zaski** helped with drafting this policy design. (There was some input from MCAC at their 4<sup>th</sup> meeting about increasing the electricity reduction goal.) The numbers in the Summary of the last meeting are correct. The natural gas figure is correct at 0.75%, but the value for electricity should be 2%. After discussion, the TWG decided the ramp up period should be moved from 2012 to 2015, and the 2020 date should move to 2025.

### **RCI-2 - Existing Buildings Energy Efficiency Incentives, Assistance, Certification, and Financing**

**Guy Bazzani, George Curran, and Shelly Sullivan** did the drafting up to the “Types of GHGs” element. Ken Colburn was unclear if the “opt out” refers to this option or some other existing state program. There seems to be duplication in energy audit programs. However, a member pointed out that the second reference adds the funding point. CCS will work to consolidate these points.

A member asked what the baseline year is against which the reduction will be measured. The program is to begin in 2010. Ken noted that the I&F provides a “business as usual” (BAU) reference case. One member suggested using 2009 as the baseline, so when the program begins there is information in hand. Lynn Fiedler noted that using the older data from the I&F would reflect a time (2002) when Michigan’s economy was more robust and hence using more energy. Another member suggested that there should be consistency with the base years that other TWGs are using. Lynn Fiedler noted that the MI Interim report uses 2010, 2025 and 2050 as forward benchmarks; this is not consistent with Midwestern Governors Association regional effort. After further discussion the TWG decided to use the standard 2002 reference case embodied in the I&F as its baseline.

**Steve Kulesia** mentioned additional programs in place. For example, there are eight “energy demonstration centers” around the state. Steve will provide additional text on the existing programs to expand this section. Members will send their suggestions to Lynn Fiedler who will distribute to the entire group.

There was a brief discussion of the costs and funding issues of achieving these ambitious goals. Ken Colburn noted that Matthew Brown's analysis will provide a more concrete view of this. Having initial cost information will also help the MCAC decide on whether to approve or suggest modifications to this option.

### **RCI-3 Regulatory (PSC) Changes to Remove Disincentives and Encourage Energy Efficiency Investments by IOUs**

**Jim Ault, Steve Boeckman, Emily Simon and Rob Ozar/Julie Baldwin** formed the drafting team for this option. There is no timing yet in place. Matthew Brown noted that quantifications of this option would be difficult. Ken Colburn suggested that there could be a general statement about the goal and timing for achieving decoupling. Julie Baldwin was the only member of the drafting team on the call today. She will share these questions with the others who worked on this option. There were no further comments on RCI-3.

### **RCI-4 Adopt More Stringent Building Codes for Energy Efficiency**

This option focuses on new buildings (whereas RCI-7 addresses existing buildings/retrofits.) The question of a uniform baseline was raised again for this option. This option would improve from the IECC 2006 code. The earliest that new codes could be implemented is 2009, given the IECC code development process. Matthew Brown asked if this change is to focus on residential buildings alone, or also include commercial and industrial buildings. George Curran said that the idea is to be more comprehensive, so commercial and industrial buildings should be included. There is more controversy currently on the residential front, which is why the draft includes so much emphasis on residential. Matthew Brown noted that the American Society of Heating, Refrigerating & Air-Conditioning Engineers (ASHRAE) 90.1 standard covers commercial and industrial buildings. This option will be revised to clearly include the broader commercial and industrial codes. The group will try to tap Shelly Sullivan's knowledge to help with the industrial aspect. The delineations will need to be clear, especially for quantification purposes. The "Parties Involved" section also needs to be filled in. This includes those who are responsible for adopting codes in Michigan, and the multiple stakeholders affected by these codes. A member noted that there is a big difference between what is envisioned in this option and what the reality is on the ground.

### **RCI-5 Michigan Climate Challenge and Related Consumer Education Programs**

This option has been well fleshed out in the current draft of the POD. The drafting team included **Vincent Nathan, Keith Paasch, Lynn Fiedler, and Steve Kulesia**. **Lynn Fiedler** noted that RCI-5 is closely linked to and largely based on CCI-5. Ken Colburn asked that the team fill in "Parties Involved." The RCI TWG will need to coordinate with the CCI TWG on this. This option does not require quantification of GHG reductions and costs.

### **RCI-6 Incentives to Promote Renewable Energy Systems Implementation**

The drafting team included **Leonard Parker, Rob Ozar, Emily Simon and Mike Garfield** (invited). Ken Colburn asked if the goal purposefully limits this option to

renewables or whether distributed generation is to be included. **Steve Kulesi** added that the goal needs some refinement. Another member noted that some of the goal was based on Germany's experience with feed-in tariffs. The deleted paragraph on feed-in tariffs should be restored to the text, and other clarifications made between Policy Description and Policy Design. Matthew Brown read the goal as indicating that by 2025 Michigan would get 19% of its generation from renewables. The TWG needs to address the portion to come from "central station" renewables and how much from "distributed" renewables. **Julie Baldwin** noted that a similar issue is being discussed in ES-12, which also deals with distributed renewable energy. The ES TWG is apparently looking at feed-in tariffs in lieu of a Renewable Portfolio Standard (RPS). Also, she pointed out that the ES TWG is considering facilities under 10 megawatts (MW) in size as the cutoff to be called "distributed" for ES-12.

Ken Colburn suggested that the RCI and ES TWGs could coordinate these options, illuminate clear differences, or move this option to Energy Supply TWG. **Mike Garfield** said this was discussed early on and at that point they wanted to see how each developed. However, at this point he feels there is so much similarity that they really should be joined. There was consensus that this should be blended with ES-12, while keeping any points raised by the RCI. There is a difference in the goal – 19% in RCI and 16% in ES. **Julie Baldwin** says that the ES TWG is reducing that goal. Their focus is on smaller distributed energy and the reality is that the smaller (10 MW or less) units will not be able to achieve this. ES wants a good "stretch" goal, but is also concerned about its achievability. Originally, they thought the feed-in tariffs would apply to "big wind," but "big wind" isn't typically a distributed generation resource. Ken Colburn noted that looking at large investments can appear daunting, but the TWGs need to look at the costs in relation to the overall expenditures on energy in the state and the long-term cost benefits that can result from renewables.

There is an ES call on Aug. 28th where the coordination between the TWGs may be able to be handled. There is an RCI call on the same day. The CCS facilitators and TWG members will work to get RCI-5 and ES-12 meshed. **Julie Baldwin** corrected the "U-number" citation for statewide net metering and revised the number and source of information about utilities offering green pricing programs. Members also pointed out that some other legislation is under consideration. There were no further changes to this option.

### **RCI-7 Promotion and Incentives for Improved Design and Construction in the Private Sector**

**Dr. Nathan** who did most of the excellent drafting on this option. The description is well developed, but the goals need some additional clarification. There was discussion about combining it with RCI-4, however, this is *existing* buildings, not new, so it has a distinct focus. One member thinks this goal ("all buildings, both existing and new construction, achieving 30% better efficiency than that required by IECC 2006 due to the incentives offered") seems quite aggressive. Ken Colburn noted that the TWG could adjust this by changing the 30% or the 2012 target date. A member noted that other options have had a more graded ramp-up in their implementation dates. One suggestion is 30% by 2025 with

an achievable target in 2015. Ken Colburn noted that “low hanging fruit” measures may provide significant reductions early on, so the TWG might actually want to consider a more aggressive target for the earlier date. The consensus of the group was 15% by 2015 and 30% by 2025.

For quantification purposes, Matthew Brown will echo the ramp-up in RCI-4. Other elements of that option will also be replicated here.

### **RCI-8 Net Metering for Distributed Generation**

The question of the source of the 475 MW goal was reviewed. Members concluded that the goal is not 475 MW *per year*, but an overall absolute target. A question was raised about whether the TWG should be constrained by legislation. **Steve Kulesia** does not think this came from legislation. The footnote in the POD says: “Equivalent to 2% of statewide summer peak electricity demand in 2006 of 23,756 MW equals 475 MW, according to Michigan’s *21<sup>st</sup> Century Plan*.” **Julie Baldwin** asked if we have a good feed-in tariff why would we want to net meter? Others noted there is much overlap between RCI-6 and RCI-8. They seem to be going after the same thing, but potentially in conflict. A good feed-in tariff may be preferable, but net-metering would be faster to implement. A member suggested that the TWG outline the pros and cons (and costs) of each. Presently, there are only 23 net metering customers contributing a very small number of megawatts (MW).

Ken Colburn noted that the role of the TWG is to put forward viable options, even if they do have feasibility issues. Clearly, there is overlap with RCI-6 and we would not want to double count the reductions since they would likely not both be implemented; this really reflects a choice for the MCAC. **Lynn Fiedler** noted that the Energy Supply (ES) TWG did combine the two approaches, but are noting the differing implementation mechanisms. The ES TWG has also limited the discussion of feed-in tariffs for projects that are not “big wind” energy. The RCI TWG may not concur with this direction. It may be best for the MCAC to have these RCI options (RCI-6 and RCI-8) combined. There was push back on the need to differentiate between the “big wind” type projects and the smaller distributed units. Steve Posh, who is on the ES TWG but is following RCI, wants to encourage the smaller distributed generation (DG) units, but is also concerned that the goals be achievable. We need to be clear on the goals for the smaller versus larger baseload projects. This issue also applies to ES-12. Germany and Spain’s feed-in tariffs have replaced large baseload with renewables.

Mr. Colburn reflected that the discussion centered on net metering for DG and feed-in tariffs for renewables, and members felt this made sense. Ken Colburn said this will not be decided today, but will be raised jointly with the ES TWG. He will discuss it with Tom Looby and Jeff Wennberg and raise it on the upcoming calls.

### **RCI-9 Training and Education for Building Design, Operation, and Construction**

The drafting team included: **Pat Hudson**, **Steve Kulesia**, and **Guy Bazzani** (invited). This option does not require quantification. The option is well developed and only needs

a few additions such as “Parties Involved.” The drafters will work on this and contribute for the next meeting.

**RCI- 10 Water Use & Management**

The current draft does not have changes done by **Leonard Parker**. He will provide them by e-mail so his updated text can be added and circulated to the TWG for its call next week.

**Next Steps:**

Ken Colburn again reminded the members to review the I&F report which is on the website.

Additional calls need to be scheduled for this TWG since it is a bit behind. Ken Colburn wants to schedule three calls between the MCAC’s next meeting on September 12 and the final MCAC meeting in November. This will be done by e-mail or a web-based meeting organizer.

The next meeting of this RCI TWG will be on Thursday, August 28 from 3:00 pm to 5:00 pm (Eastern).

**George Curran** commented that he liked getting the Summary of the last meeting and hopes a similar document will be provided to the group as a reminder of what needs to be done next. Ken Colburn said that CCS would provide this as soon as possible. Contact information for the new CCS leads for this TWG will be sent by e-mail.

There were no comments from members of the public.

The call adjourned at 12:52 pm.