

**DRAFT MEETING SUMMARY**  
**MICHIGAN CLIMATE ACTION COUNCIL**  
**Residential, Commercial and Industrial (RCI) Technical Working Group (TWG)**  
**Teleconference #11**  
**October 14, 2008, 3:00–5:00 PM Eastern Time**

**Attendees**

**RCI TWG Members:**

Guy Bazzani, Bazzani & Associates; Steve Boeckman, Great Lakes Energy; George Curran, Kotz, Sangster, Wysocki & Berg; Michael Garfield, Ecology Center; Mike McNalley, DTE Energy; Raymond Scott, City of Detroit; Keith Paasch for Lisa Webb-Sharpe, Department of Management and Budget; Shelley Sullivan, Chrysler LLC

**State of Michigan Participants:**

Lynn Fiedler, Department of Environmental Quality; Pat Hudson, Department of Labor and Economic Growth; Lisa Pappas, Public Service Commission

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

**Background Documents**

1. Meeting #11 Notice and Agenda
2. PowerPoint for Teleconference #11
3. Meeting Summary of Teleconference #10
4. Draft RCI Policy Options Descriptions (revised based on MCAC meeting September 12, 2008)
5. Memo regarding quantification issues and overlap among RCI and Energy Supply policy options
6. Powerpoint of proposed changes to MI RCI Inventory & Forecast for the Iron and Steel Industry (posted 10-14-08)
7. Excerpt from Energy Supply Policy Options Document of ES-1 and ES-12

**Discussion Items and Key Issues**

Ken Colburn from Center for Climate Strategies welcomed the TWG members and others to the call, conducted the roll call, and reviewed the agenda. The draft summary from Meeting #9 on August 28, 2008 was approved without changes.

The primary focus of this meeting was to review the quantifications done by Matthew Brown and the changes to the Policy Option Document's (POD) made by Ken Colburn. First the group reviewed the text changes to the POD. These changes are noted for each option below.

On the day of the call, two new documents related to quantifications were posted to the RCI website. One was a Powerpoint on the Inventory and Forecast changes for the iron and steel industry; the other a quantifications memo on data sources and how the quantifications for the RCI options were done. These documents will remain on the website for RCI TWG members to review. On this call, Matthew Brown reviewed the quantification for each option. Results are discussed in the summary of each option below.

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

The drafting team is **Frank Zaski, Jim Ault, Rob Ozar** (with assistance from **Emily Simon**) and **Steve Boeckman**.

It was suggested that references to “House Bill 525” be replaced with “Public Act 295” now that the legislation has passed, and that this change be made in other options as well.

Matthew Brown noted that there are no “utility DSM programs” for propane and fuel oil dealers. Further, the text of the policy option makes no mention of propane and fuel oil, so no attempt was made to quantify potential reductions associated with those fuels. A TWG member suggested changing the title to reflect this reality; other members concurred. Ken noted this change would need to be taken to the MCAC.

Matthew reviewed the methodology used to quantify the costs, savings (avoided costs) and net present value (NPV) based on the proposed phase-in. The avoided cost used for electricity was \$56 per megawatt hour or \$0.06 per kilowatt-hour. The cost of utility-based DSM programs was assumed to be \$36 per megawatt hour, the average of several studies on the costs of energy savings programs. The avoided cost of natural gas was based on Energy Information Agency (EIA) data.

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

The drafting team is **Shelley Sullivan, George Curran** and **Guy Bazzani**.

This policy option targets a 50% reduction in residential/commercial energy usage and a 20% reduction in industrial usage to be achieved by 2030. The phase-in begins at the end of 2010 and, as noted, runs to 2030, which is different than most RCI options that run to 2025. Matthew Brown did calculations for both dates. The major points in the quantification include savings from coal and natural gas in the industrial sector. A question was raised about how to deal with degree-days; Brown noted that this is more relevant to RCI-4, because RCI-2 looks at a straight-line reduction. While weather/climate will surely vary, the best approach is to assume it would level out. The 2002 baseline—whether it was an especially warm or cool year—would affect the results. Brown will research this and add some mention of it in the next version of the RCI Policy Option Description (POD). If 2002 is exceptional compared to other years, he will consider some normalization. **George Curran** thinks there may be an index for this. Brown agreed, noting that Michigan happens to fall in two climate zones used by the

weather service to measure degree-days. Matthew Brown will research 2002's weather and get back to the group and adjust the analysis if needed.

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

The drafting team is **Jim Ault, Steve Boeckman, Emily Simon** and **Rob Ozar**.

Similar to RCI-1, Lisa Papp suggested changing the Senate Bill references to Public Act 295 of 2008 since it has now been passed and signed by the Governor. No other changes were suggested.

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

The drafting team is **George Curran, Pat Hudson** and **Guy Bazzani**.

Colburn had added some text related to the “thermal envelope” inspection. Also, given the reality of how long it takes to adopt new codes, he asked if the term “immediately” is appropriate. Members wanted it written as strongly as possible, so left it in. Also, there is no “industrial energy code” for industrial process energy demand as conveyed in the write-up. “New residential, commercial and industrial structures as covered by residential and commercial codes” was agreed to as preferable language. That “[b]oth provisions should take effect immediately...” was also agreed to by the group. In “Related Policies and Programs in Place,” add “for example” to the reference to California’s “Zero net energy” building code.

On the quantification of this option, Mr. Brown assumed that for every new commercial building constructed, 0.3 commercial buildings would be renovated and fall under the code. Similarly, 0.2 residential homes would be renovated for each new home built. Brown drew on information from the Building Codes Assistance Project (BCAP) in Washington, DC and some Michigan-based organizations. He also checked with the American Council for an Energy-Efficient Economy (ACEEE<sup>1</sup>) and the Business Efficiency Alliance, but they had no data. His assumption is that these codes would be adopted and phased in by the end of 2010. Quantification is a 2-step process – upgrading from no codes and earlier codes to the 2006 code, and then going 30% better. BCAP says indicates that there was a ~30% improvement between 1999 and 2006; Michigan sources indicated an ~25% improvement instead. Brown noted that the biggest assumption relates to the date of enactment. **Pat Hudson** also suggested looking at Repowering the Plains and Pacific Northwest National Laboratory’s work.

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

The drafting team is **Keith Paasch, Lynn Fiedler, and Steve Kulesia** (and originally included **Vincent Nathan**).

This option had no changes, and is not a quantified option. Members noted that some work is being done in this area, as California and New York *are* attempting to quantify the results of their education programs.

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

The drafting team is **Leonard Parker, Rob Ozar, Emily Simon and Mike Garfield.**

Per the RCI TWG's earlier recommendation, this RCI option is being combined with ES-1. Given their somewhat different policy designs (goals, timetables, etc.), it was suggested that the RCI and ES TWGs get together to discuss the differences and come to some agreement on their final form. ES is still underway with its quantifications. Colburn suggested that when ES is ready, he would alert TWG members to get volunteers for joint call (subsequently held on October 22).

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

The drafting team is **George Curran** and originally included **Vincent Nathan.**

Revisions made from the last TWG call were approved without further edit.

By 2025 this option has a goal of achieving 30% greater energy savings than suggested by IECC. Much industrial energy use is not covered, so this primarily addresses residential and commercial buildings (both old and new) that fall under building codes. Brown's quantification phased-in reductions of 5% by 2015 and 30% by 2025, reflecting the goals specified in this option.

A member noted that opportunities for energy savings depend greatly on when existing buildings were constructed, and suggested that time-of-sale energy audits be conducted and disclosed to potential buyers. Such audits could also be a prerequisite in order to qualify for incentive program payments. Brown noted that this has been done in Massachusetts and elsewhere, and that other states are looking at it. Not surprisingly, realtors oppose it. It isn't clear that the costs and GHG reductions associated with this "time-of-sale" concept could be readily quantified. There was discussion about whether this idea should become a separate option – or be incorporated in RCI-2, RCI-7, and/or other options. Consensus evolved to recommend that this program be included as a new implementation mechanism, not a distinct new RCI option at this late date. The group decided to incorporate it into RCI-2 and RCI-7.

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

The drafting team is **Julie Baldwin, Jim Ault and Steve Boeckman.**

Per the RCI TWG's earlier decision, this option will be merged with ES-12. The reference to proposed legislation was changed to the now-adopted Public Act 295. Members appreciated the summary of this legislation provided by Jim Ault and Guy Bazzani.

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

The drafting team is **Pat Hudson, Steve Kulesia, and Guy Bazzani.**

Per the last TWG call, Colburn added the commercial and industrial sub-sectors to the description of policy programs in place. No other changes were suggested for this option.

## **RCI-10 Water Use and Management**

The drafting team is **Leonard Parker**, and **Steve List**.

In the last TWG call, Members suggested instituting a requirement for water utilities to report their energy use; text to reflect this was added to the policy option goals.

Quantification of this option has been hampered by lack of data. As confirmed by **Jim Cleland** of DEQ, energy use data is simply not being collected on any regular or state-wide basis, hence the suggested reporting requirement added to this option. DEQ will try to engineer some sampling at utilities, but resulting data is still likely to be unavailable in the short time remaining in the MCAC process. **George Curran** noted that the Detroit Water System is under the jurisdiction of a Federal Judge due to litigation over rates. He suggested it may be possible to ask the courts to require submission of this information because it would impact rates. This is unlikely to be accomplished by the next TWG call, however. **George Curran** agreed, and recommended that it be considered as a future resource. Colburn suggested the need for data could be discussed in the text and ideas for getting data also raised. If **Jim Cleland** is able to get information from about six water districts, Brown said he may be able to do a reasonable analysis. If not, quantification of this option may not be possible as part of the MCAC effort.

### **Other Documents: Quantification Memo and Inventory & Forecast (I&F) Changes**

Members will review the Quantification Memo posted to the website today as well as the I&F Powerpoint in preparation for discussion on the next RCI Call.

**Shelly Sullivan** asked about accounting for overlaps. Ken Colburn said that we may be able to provide an overview of this on the next TWG call. There may be overlaps not only among RCI policy options, but also with ES TWG policy options (and possibly other TWGs' options). As noted above, however, the RCI and ES TWGs are already working to combine options that clearly overlap. Such overlaps are apt to occur between other TWGs as well, e.g., biofuels may be recommended by both the Transportation and Land Use (TLU) TWG and the Agriculture, Forestry, and Waste Management (AFW) TWG.

### **Next Steps**

The POD and quantifications will be revised based on the input received in this meeting, and further coordination with the ES TWG on our joint consolidation of policy options will be arranged.

The RCI TWG will hold one teleconference meeting, on November 11<sup>th</sup>, to finalize recommendations and quantifications for the next MCAC meeting.

The next RCI TWG is scheduled for Tuesday, November 11, 10:00 AM to Noon. State offices will be closed for Veteran's Day, so we need to alert people that it will be only by phone. State staff have kindly indicated that they will participate even though it is a state holiday.

The next MCAC meeting scheduled for Thursday and Friday, November 20 and 21, 2008 in East Lansing.

Public input was invited but no comments or questions were offered.

The call adjourned at 5:15 p.m.