

DRAFT MEETING SUMMARY
MICHIGAN CLIMATE ACTION COUNCIL
Residential, Commercial and Industrial (RCI) Technical Working Group (TWG)
Teleconference #12
November 11, 2008, 10:00a.m.–Noon 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; Leonard Parker, Cleveland Cliffs (as well as Michelle Jarvis of his office); Lisa Webb-Sharpe, Department of Management and Budget; Shelley Sullivan, Chrysler LLC

State of Michigan Participants:

Amie Butler, Department of Environmental Quality,
Lynn Fiedler, Department of Environmental Quality;

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

Background Documents

1. Meeting #12 Notice and Agenda
2. PowerPoint for Teleconference #12
3. Meeting Summary of Teleconference #11
4. Draft RCI Policy Options Descriptions (revised based on RCI TWG meeting of October 14, 2008)
5. Draft ES-1 and ES-12 Policy Options

Discussion Items and Key Issues

Ken Colburn from CCS welcomed the TWG members and others to the call, conducted the roll call, and reviewed the agenda. Ken noted this is the last RCI call before the MCAC has its next to final meeting on November 20 and 21. There are text changes to the Policy Option Descriptions (POD) document.

The first order of business was review and approval of both the last RCI October 14 meeting and the RCI-Energy Supply (ES) joint call summaries. Both were approved. But David Wright raised questions discussed below.

David Wright's question relates to the treatment of feed-in tariff. He thinks Mike Garfield's intention was that RCI-6 be for all distributed generation – or was it for small-scale only? Ken thinks the emphasis is on the small-scale. However, ES-1 is more broad and the RCI TWG's approach complements the ES-1 option. The question is should this be addressed in the policy discussion or in the review of the Summaries? The sense of the group was it should be covered in the discussion. (See below.)

Ken Colburn recalled the discussion of a small-scale “carve out” within ES-1. David asked if the cost effectiveness numbers will be combined? Matthew Brown said, “Yes.”

Ken reviewed the Summary Table on the first page of the POD. In response to a question about how the quantifications are done, Mathew Brown pointed out that propane and fuel oil are dropped out of RCI-1.

Public Act (PA) 295 replaces the previous Senate/House Bills throughout the document. The meeting moved to discussion of the specific options.

RCI-1 Utility Demand-Side Management (DSM) for Electricity and Natural Gas

Mathew discussed the bottom lines on the Table – page 3 reflect the changes due to the legislation (PA 295). Avoided cost is \$62/Mw hour – based on information from the Midwest Accord) A question came up about the spending limits included in PA 295. Mathew will review those limits to see if they affect this or other options.

In the Table on page 3 is the legislative view; the Table on page 4 is the reduction in GHGs and their cost effectiveness net of the legislation. Levelized costs or saving number are based on studies by the American Council for and Energy Efficient Economy (ACEEE). These costs are full societal costs – reflecting both the utility and participant costs. CCS will add “net of” to this table to make it clearer. (And CCS will correct spelling error [“fo” should be for]).

RCI-2 – Existing Building Energy Efficiency Incentive, Assistance, Certification and Financing

Based on the last call, the idea of an energy audit at “time of sale” was raised. A member pointed out that it should be also at “change of occupancy.” Shelly Sullivan thinks this is a good way to measure, but thinks there needs to be an upfront way to measure and then measure after so you can see the changes/benefits. Another member of the TWG said that the “point of sale” requirement for information has been used successfully in other programs. George Curran noted that there is not uniformity on how this is handled. There is “room for creativity.” Shelly is particularly interested in changes of use in buildings. Members agree this is particularly important in the industrial sector. Ken asked for suggested language changes for an additional bullet. Shelly and George will craft a bullet to add as the first item in Implementation Mechanisms or in the goal description. This change will go to the MCAC for the meeting on Nov. 20-21.

Mathew points out that this is not parallel to RCI-1. The goals are much more ambitious. However, the usage goals and methods are very similar between RCI-1 and -2. A member asked if the two goals are additive or if there is double counting. Matthew says that RCI-2 actually incorporates all of RCI-1, so we need to scrub them for overlaps – which in this case are substantial. These come out in the adjustment for overlaps in the shaded area at the bottom of the opening Summary Table. (RCI-4 and -6 also have overlaps that need adjustment in getting to the final numbers.) Ken pointed out that the analysis of these overlaps is typically described in a “Methods for Quantification” Appendix to the final report and that TWG and MCAC members will review that before it goes final.

RCI -3 Regulatory (PSC) Changes to Remove Disincentives and Encourage Energy Efficiency Investments by Investor-Owned Utilities

This option has been approved by the MCAC. This is a non-quantified option. No discussion.

RCI -4 Adopt More Stringent Building Codes for Energy Efficiency

Matthew worked with the Building Codes Assistance Project to get at the differences between new and previous codes. The new code would go beyond the 2006 code which is a 30% increase in efficiency over the previous code. A variable is compliance levels. The best compliance rates tend to be in Oregon and Washington where they are in the 90% range. More typical in 60 to 80%, so Mathew used a middle-level—75% compliance—for his calculations. There is no code for industrial space, but using Energy Administration data he was able to do some quantifications. Assumptions about growth in new buildings (both commercial and residential) and renovated space are other factors that need to be estimated. He emphasizes that these codes only apply to new buildings or those taking out permits for renovation, so cover a smaller universe than RCI-1 and -2. The cost factors used were similar. Costs for efficiency measures are embedded/or are part of the levelized costs based on “average” natural gas and electricity costs under these programs (e.g., \$30/MW for electricity.) Again, these averages come from ACE3.

A member pointed out that if, in the Table, Cumulative Net Costs are negative (a *cost savings*, then Cost-Effectiveness also should be negative. (This was correct in the opening Summary Table, but not in the small table in this section.) In all tables and charts we need to point out that negative numbers indicate *cost savings*.

RCI-5 Michigan Climate Challenge and Related Consumer Education Programs

No discussion as this option is already approved by the MCAC. (Note this option was not quantified.)

RCI-6 Incentives to Promote Renewable Energy Systems Implementation

Is being merged with ES-1.

The new renewable generation is assumed to come mostly from wind and some (19%) from biomass. All of this is utility-scale. Solar PV costs are considered to be significantly

higher (almost double) in a distributed application. A question was raised about this huge difference between large and small-scale applications. What is reflected in this option now is not a distributed cost. Distributed generation (DG) is more expensive on an installed basis than central station, Matthew Brown points out. There was a discussion about the cost effectiveness calculations. A member pointed out the effect of distribution losses need to be considered. Once we know the “carve out” we can get the final numbers of costs/reductions. Another member asked if the German experience with DG would be helpful, as it was with the feed-in tariffs. Matthew said perhaps and that he does have DG numbers from several states. Ken warned that we cannot revisit decisions the TWG has already reached at this point. The Member suggested we quickly look at different level’s of carve outs. Ken said, in fact, a goal of today’s call was to get the TWG’s decision on the carve out. Matthew said he could run a couple surrounding number to offer a sensitivity analysis.

One Member is still concerned that we haven’t looked at capital costs for DG, making it hard to know what your DG goal should be. Mathew pointed out there has not been much to go on. On the ES TWG side, they are looking at costs for small-scale Wind, Solar, and Biogas. There are no transmission costs for the small-scale DG, as the energy is used [primarily] on site. In the POD we will need to clearly differentiate between the centralized and distributed (DG) costs.

In other states, solar PV (roof top) is the vast majority of the carve out. The Member and Mike Garfield will work together to come up with reasonable carve out numbers. Matthew will fill in the POD with DG estimates. Coordination with the ES TWG will be needed.

A member asked what the rationale is for carving out a “small scale” option if it is always more expensive? Ken recalled that the RCI TWG had wanted to investigate small-scale. There are places where large-scale won’t be available or won’t work. The transmission advantage comes through in small scale. (Losses are about 7% on average for normal line transmission.) Also, there was a desire by the TWG to spur innovation in this area.

Other states for DG or “customer-sited” have set an RPS of from 0.15% to as high as 4.5 % of total generation. Most cluster in the 1-2% range. The original RCI started at 1% but ramped up to 14%, but it was recognized that this (14%) was three times AZ, the current most aggressive goal. A goal of 5% was suggested. Mathew will do cost analysis on either side of this number as well.

Note: There is an error in the chart from the ES TWG showing the types of electricity generation. The 2025 RPS goals add up to 105%. Matthew will correct this for our POD and with the ES group.

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

The language we have under RCI-2 should be mirrored here.

On the quantifications, two approaches were needed since it covers new and existing buildings. You cannot apply a “better than existing code” approach to existing buildings, However, you can expect retrofits to improve energy use. Matthew Brown, in his quantifications, broke out the two portions: existing building retrofits and new codes. No changes were suggested to this option.

RCI-8 Net Metering for Distributed Generation

This option is also being considered as an implementation measure for ES-12. The allocation of wind, solar and PV is different here. Some wind is included. David raised the point that the capital cost to the consumer [of installing/making the connection] is not clearly shown. Ken pointed out that in all options the cost analysis is done on a “societal cost” basis. The TWG agreed that this is fine, but it should be clearly stated that in this case there is a cost is born by the individual users who install these systems. This will be noted.

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

No comments or suggestions.

RCI-10 Water Use and Management

No changes.

Inventory and Forecast

The numbers for emissions in the iron and steel industry, show increases for each year (slide #8 in PowerPoint). The data are from the MI Dept. of Air Quality. These contribute to the “base case.” These estimates will be added to the Inventory and Forecast for the MCAC process.

Next Steps

All Members are encouraged to review the POD and to make any suggestions for changes as quickly as possible so they can be raised at the MCAC meeting.

There are no further meeting of this TWG planned, although it is possible another meeting will be needed depending on the progress at the MCAC meeting in November. Ken Colburn expressed appreciation for the time and expertise the members have contributed, even taking a holiday (Veterans Day) to finish the work of the group.

There were no public comments and the meeting was adjourned.

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