

ENERGY EFFICIENCY & RESOURCE MANGEMENT COUNCIL

Minutes-August 9, 2012

Conference Room B, Second Floor DOA

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

Members Present: Paul Ryan, Marion Gold, Dan Justynski, Joe Newsome, Joe Cirillo and Abigail Anthony.

Consultants Present: Scudder Parker and Mike Guerard

Others Present: Kim Ziegelmayr, Bill Ferguson, Mark DePetrillo, Jeremy Newberger, Rachel Henschel, Tim Woolf, Frank Gorke, Michael McAteer, Rep. Charlie Donovan, Rachel Sholly, Chris Caisse, and Sean Mongan

Staff Present: Terri Brooks, Ron Renaud, Charles Hawkins, Ryan Cote, Chris Kearns, and Pat McCarthy

Acceptance of Minutes: Abigail A. made a motion to approve the July Minutes. It was seconded by Paul R. and passed unanimously.

Executive Director's Report

New OER Administrator, Marion Gold was introduced as the new EERMC Executive Director. She is excited about her new position and would like to work to integrate energy efficiency (EE) more closely with renewable energy (RE). She mentioned a positive meeting at NGrid that she just attended on system reliability which discussed incorporating small scale RE to achieve load relief and enhance reliability.

She has been impressed with the hard work of her new staff. She introduced Chief Financial Officer, Terri Brooks, DOA Administrator Ron Renaud and ARRA Implementation Aide Ryan Cote. She also mentioned that Chris Kearns has also joined the OER staff.

She cited the recently awarded USDOE competitive grant that will allow Municipalities and the State to improve EE delivery. This will be a partnership between OER, EERMC, VEIC and NGrid. This dovetails with the work the URI Energy Center has been doing on the EPA Climate Change grant that involves four RI towns; and the Renewable Energy Siting Partnership which meets every month and will hold two hearing in August.

LIHEAP is still physically at the OER, although it has been transferred administratively to Health & Human Services (HHS). One of her first projects will be working with the URI Energy Center to flesh out the EERMC & OER websites. All meeting handouts will be made accessible to the public by posting them on the EERMC website

monthly. Marion G. is going to try to meet with all Council members individually during the next 100 days to better understand their priorities. She also wants to work on an integrated energy management system with a goal of merging the work of the RE Coordinating Board & the EERMC. She also recently met with the PUC commissioners and the DPUC and it was helpful to hear their concerns.

NGrid Report on the Second Quarter EE PP & Deep Dive into the Pipeline

Abigail A. said that after NGrid presented the EE PP second quarter results at the recent DSM Collaborative Meeting she asked NGrid if they could give the Council the 2012 pipeline plan. She also requested a report on the EE PP budget and NGrid staffing.

Mike M. introduced Shawn Mongan, NGrid Director of Sales, to update the Council on what strategies and tactics the company will utilize to close gaps and get to the

2012 EE PP savings goals. NGrid is aware that the down RI economy has made customers uncertain about investing in EE. NGrid has the challenge of using resources effectively to get to aggressive savings goals.

Shawn M. wanted to walk the council through the NGrid sales pipeline and the rigid process the company uses to close gaps. He is

responsible for the execution of the

EE PP. Every program has a program manager who looks at the budget & participation. They are employing a variance approach which will identify gaps to mitigate.

In the gas programs, NGrid is slightly ahead of last year but the energy savings goals are higher. The charts displayed represent a monthly scorecard that the company uses to track year to date spending and energy results by program. He wanted to highlight the residential heating program (HEHE) which is only at 61% of its budget and is projected to only get to 55% if its goals. The HEHE goal is to install 8,000 heating systems but there are not that many systems in the market in a given year. Marion G. asked how many heating systems are sold in RI in an average year. There are now about 200,000 heating customers in RI and typically about 5% need to replace their heating units in a given year. That is about 10,900 units. With a 25% penetration rate that would be 2,523 EE units sold and at 50% penetration, 5,045. This big goal is dragging down the residential numbers.

Gas gap closers include: correcting flawed applications; a 25% “summer kicker” for the upstream lighting program and moving multifamily weatherization into C&I retrofits. Joe N. wanted to know what is meant by the “summer kicker”. It is an increase in the incentive for the summer season. Abigail A. asked for a summary of the gas programs. It is 95% of the budget spent, and 96% of the

energy savings goals achieved.

The Electric EE PP is not as well along as the gas. It is 86% of the budget spend and 90% of the energy savings goals. Joe N. said he felt this information is important but would like to have it in more layman's terms. He wondered if Shawn M. could summarize it in a one pager to be distributed after the meeting with key points and conclusions. Shawn M. said he would distribute a summary by e-mail to members after the meeting

The electric EE PP program that is really lagging is new construction. The lack of new construction in RI will impact getting to the goal, which is projected to be only 64%. Dan J. asked if something can be moved to meet the goals. EnergyStar products have been driven up to 134% to help with this gap.

Large C&I gap closers include: small business LED replacement; master metered lighting replacements (replacing lighting in malls with T-8 lighting); and other initiatives with grocery stores and data centers. NGrid hopes to get an additional 2500 MWs from these gap closers.

Bill F. of Tech-RI asked about the Large Private Sector C&I financing program that should have been in last year's plan but wasn't. Every other sector has this financing but large C&I. This could be a key thing for manufacturers and large private institutions. He was

wondered if NGrid had any insights as to the status of this program. Mike M. said that NGrid plans on using RGGI funds as an on-bill repayment engine to help customers. However, this is not enough so NGrid is now developing a program using a commercial term lender. This allows a third party to provide funding for an on-bill capability. Mike M. anticipates this will be in place no later than first quarter of 2013. That is the way to go to scale with sectors like manufacturing. Bill F. said it has taken way too long. He hopes it will help the energy savings but you will not know until you try it. Marion G. feels that manufacturers have a lot on their plate and any incentive to get them to save energy is worth trying.

NGrid Program Planning and Administration (PP&A)

NGrid's Jeremy N. was introduced to give this presentation. The PP & A in the EE PP includes three categories: internal expenses, such as IT; administrative costs; general operating costs & overhead; external expenses such as EERMC, OER and consultants; and EE payroll and expenses for planning, administrative and support teams. Employee costs have been \$2.2 M in 2010, \$3.4 M in 2011 and to date \$1.5 M in 2012. There are 30 FTEs working in RI spread out over 77 people with 34 of them located in RI.

Mike M. cited the new jurisdiction operating model that NGrid has gone to which has a president for each state. Tim Horan manages the profit and loss in RI. This is all about establishing relationships with

customers in a closer manner. Marion G. asked if the 34 people working in RI are working solely in the RI jurisdiction. Rachel H. said not necessarily, some may also work in Massachusetts or New York

Marion G. wanted to know why the EE PP budget was going down but the goals were increasing. Shawn M said that the company was leveraging outside vendors. The upstream lighting program that is increasing requires fewer resources. They are incorporating the best way to deliver the products to the plan. They are trying to manage costs to make more funding available for incentives.

VEIC Monthly Report with a Focus on the Second Quarter EE PP

VEIC activities included: working on the DOE competitive grant; the 2013 EE PP; and the 2013 SR Plan. They are doing follow-up research on Combined Heat & Power (CHP) and attended the EPA Climate Showcase Communities Steering Committee meeting.

Mike G. has been meeting with NGrid C&I and residential program managers on the progress of the 2012 EE PP. Attached to the VEIC monthly report is a summary of these meetings. VEIC is concerned about Page 8 on NGrid's 2nd Q highlights. Mike G. notes that at the halfway mark of the year NGrid is only at 17% of their energy savings goal. Gas is only at 22%. This should be at least 30% at this time of the year. The message VEIC wants to convey to the council is that

the first quarter was really low and it did not improve much in the second quarter. It was not just the economy; there were other issues like not having applications on their website. Some pretty big holes have been dug. It is VEIC's job to highlight this to the Council. There can not be a bad third quarter. He has met with NGrid strategy groups to go over these programs. More data is needed.

Shawn M. wanted to assure the Council that the applications issues have been cleared up. The vendor issues have also been remedied. Mike G. said that lighting is only at 9%, when it is 55% of the residential program. Dan J. brought up the hockey stick approach, where the numbers improve over the last half of the year.

Scudder P. wanted to make it clear to the Council that these numbers are troubling. He feels resources are a concern. You need to build partnerships and the staff to invest in these relationship. You need to bring in extra vendors. The planning and strategic group for Residential has been understaffed all year. When you are ramping up at this level you need people on board to drive relationships.

Another concern is gas marketing. You need to get savings by putting in the most EE units. VEIC found out there was a bulk buy of gas units that were not EE. This requires coordination within the company. Mike G. said this coordination has to happen now to achieve this year's goals. Mike G. said that the C&I sector is staffed well here in RI, but on the residential side most of the staff is in Massachusetts. Chris K. asked about the low numbers of audits for

the EnergyWise program. He cited a three month delay when he requested an energy audit for his home. Rachel H. said that they have reduced the wait for an audit to 5 days and have staffed up with more auditors for the fall season. NGrid hopes to make 100% of the EnergyWise goals on the electric side, and may go as high as 130% on the gas side.

Joe C. said that residential construction is just not happening in RI. He cited the low number attending the RI Builders Association events as an indication that the builders are not doing well right now. There is just no construction going on. Mike G. said that residential new construction is only 1% of the EE budget. Marion G. said that it is a positive development to see EE money going back in to the economy.

She feels the data provided by VEIC is very helpful and it is good to put the pressure on NGrid. Chris K. asked if more real time data could be provided so the Council will not be taken by surprise. Marion G. said that the Council wants to make sure they are on track to get to savings goals and that the gaps are being closed. Mike G. would like to see a monthly metric score on the EE PP progress. Shawn M said that the company would have no problem with monthly updates and going forward he would like to be more involved.

Dan J. asked if the Council can become more active in helping businesses act on EE. Can members get the word out to reluctant customers by using their business contacts. He would have no problem making phone calls to drum up activity. Marion G. said that

having people like Mark D. building relationships was very helpful when she was at URI. She asked NGrid if they felt they were fully staffed up to run the programs. Mike M. said he felt optimistic. He said it is not just the quantity of resources but how those resources are deployed. Marion G. said that it is often better for a staffer to establish relationships and not a consultant. A one on one touch can be critical in moving EE projects.

NGrid Report on Torey's Combine Heat & Power (CHP) Project

NGrid's Mark DePetrillo was introduced to give this presentation. Torey Plastics is one of RI largest consumers of electricity & natural gas. They employ about 600 people in their No. Kingstown plant. They currently have a 7 MW CHP plant that has been operating for 7 years which has been successful. They operate 24-7 which is good for a CHP project.

This project will look at cooling as well as heat with steam driven coolers. The project cost is \$22.7 M and the savings is \$1.6M with a benefit to cost ratio of 1.25 which is excellent. The price tag is expensive in today's economy. They will need incentives to get it done. The aggressive project schedule has the turbine installed in late 2013 and operational in January 2014. The engines are 49% EE with an annual thermal efficiency of 12.6%. Total CHP efficiency is 61.6% which meets the USCHP definition for EE.

The proposed incentive is \$11.35 M which is based on the 50% cap and represents half of the total project cost. There will also be deferred incentive based on future FCM revenue paid through the EE programs and another \$1.8M through the Advanced Gas Technology Program (ACT) which is capped at budget. During negotiations with Torey, NGrid was told these incentives were not enough. The reason NGrid is so excited about the project is that it comes in a \$5M over the average budget. This is the definition of Least Cost Procurement (LCP).

Jeremy N. said that the company needs to make a commitment now so Torey can move forward. The company has two options: Make a commitment and spread out its funding over 3 years which was suggested by the PUC; or fund the commitment all this year under the present plan. This may impede the company's ability to achieve 100% savings without triggering overspending. The company prefers option 1 because it helps them manage their budget better.

In order to fully fund the commitment NGrid is going to need EE PP fund transfers which need to be approved by the DPUC. Any fund transfer over 10% needs DPUC approval. They want to transfer funds from new construction to the C&I retrofit budget to cover this commitment.

The last piece is to raise the incentive cap up from 50%. That will require the OK of all the parties to the 2012 settlement as well as PUC

approval. The three questions that need to be resolved therefore are: the fund transfer; the commitment question (will it be funded all this year or over 3 years); and relaxing the incentive cap. This all need to be done in a timely manner.

Scudder P. wanted to know when they were going to count the savings from this CHP project. The CHP plant has to be installed before it would get 80% of the incentive. You would then count the savings in 2014 and then pay the final incentive. It needs to be operating and generating power with the proper relay.

Abigail A. wanted clarification from Jeremy N. about whether NGrid was asking the Council to take any action on this project. He said he was looking for council feedback on whether they would support raising the incentive cap and the two other questions he posed. Abigail A. asked if NGrid needed Council action on anything before the September meeting. Jeremy said he was certain that the incentive cap had to be relaxed. He was not sure by how much. Would the council support relaxing the cap? Bill F. said that there is a track record of incentives of 70% & 80% in this program. Lifting this cap should be easy to justify because of this track record. It should not be an issue.

Abigail A. felt that the Council should not vote, but should authorize a sub-committee, if needed, before the next meeting. Members need time to think about this. ENE is comfortable with relaxing the cap

through a mechanism as long as those revenues are in the control of the utility and the EE programs. However, the Council is a party to the settlement and needs to discuss this among themselves. Jeremy wanted a sense from the council that NGrid is moving in the right direction.

Dan J. asked about the risk of unintended consequences and the effect on other businesses. What if RI's other large users want the same incentives as Torey is getting. Marion G. feels that RI is ahead of the rest of the country on this because we have already decoupled.

This removes a key barrier to CHP. Mark D. said that in the last year NGrid has lowered their back-up rates for CHP and put in an incentive for it that is one of the best in the country. Scudder P. feels the negotiations have been very productive. He feels that this is a way of growing LCP and is good for the economy in a visual way. It is part of a healthy economic development strategy.

Abigail A. said that if NGrid anticipates that they will need Council OK then the EERMC can authorize a sub-committee that can make that decision. Paul R. felt that the Council should vote on the cap now. Abigail A. thought this was important enough that members should have time to think about it before they vote. She also feels Chris P. should have an opportunity to hear about this proposal because he represents large C&I. Marion G. said, that as Administrator of the OER, she needs to be involved in the negotiations. OER feels this is a fabulous project and a once in a

lifetime opportunity. Jeremy N. asked how should the Council proceed?

Mike M. said that was urgency in these negotiations with Torey. You need to think about the customer and where the Torey executives in Japan stand. They need to know the terms of the agreement soon. Marion said that the technical team's presentation impressed her and she feels Chris P. would be supportive of relaxing the cap. She asked Abigail if ENE supports it. Abigail said that ENE has been presented with the concepts but nobody has seen numbers of the cost or BCR ratio until today. This is a huge project. What is the urgency? Marion G. said that she did not want to slow the project down. NGrid said they would need an answer within a week.

Paul R. asked for a motion to raise the incentive cap level over 50%. Dan J. made a motion to raise the incentive cap over 50%. Paul R. seconded the motion and it passed unanimously.

Abigail A. wanted it on the record that she did not think the council should have voted on relaxing the cap without Chris P. present.

Update on the 2013 EE PP Process and Timeline

The first draft of the 2013 EE PP will be circulated on September 7th in preparation for a high level discussion at the 9/13 DSM Collaborative and EERMC meetings. Also in September there will be

an all day Planning Charette on the plan to be held on 9/11 at the Crown Plaza in Warwick. This is an opportunity for the company to hear from a broader cross-segment of the EE community. Adjustment to the draft plan could then be made. On September 20th a legislatively mandated Community Review session will be held on the CHP elements of the EE PP. This will be held at the EDC and will be from 1-3 PM.

Then a more detailed second draft will be circulated at the end of September to be discussed at the 9/27 DSM collaborative Meeting. In early October a final third draft will be circulated to members so they can vote on the plan at the October EERMC meeting.

Paul R. made a motion to adjourn. It was seconded by Joe C. and passed unanimously. The meeting was adjourned at 5:45 PM.

Respectfully submitted

Charles Hawkins

Secretary Pro-tempore