

Sustainable Energy Utility Task Force
www.seu-de.org

Meeting Date: November 28, 2006

Meeting location: Senate Hearing Room, Legislative Hall, Dover

Meeting Time: 1pm

In attendance:

Task Force Members:

Senator Harris McDowell, Chair

Dr. John Byrne, Co-chair

Senator Gary Simpson

Mr. Arthur Padmore, Public Advocate

Mr. Charlie Smisson, State Energy Coordinator

Ms. Dominique Baron, Delaware Nature Society

Technical Consultant:

Ralph Nigro, Applied Energy Group

Members of the Public:

Representative-elect John Kowalko

John Flaherty, Common Cause of Delaware

Paul Sample, Technical Advisory Office, Legislative Council

Drew Slater, Office of the Delaware State Senate

Sean Finnegan, Office of the Delaware State Senate

Sally Buttner, Public Advocate's Office

Ruth Ann Purchase, Greenbridge CDC

Richard Connell, Green Party of Delaware

Scott Johnson, Solar Dock

J. Brian Murphy, Murphy & Associates

Alan Muller, Green Delaware

Ron Zink, Sierra Club

Task Force Staff:

Jason Houck

Rebecca Walker

Jackson Schreiber

Wayne Romanowski, Public Relations

Bridin Reynolds, Public Relations

MINUTES

Introduction

Senator McDowell convened the meeting by welcoming all present, introducing and thanking Task Force Staff, welcoming Representative-elect John Kowalko, and

announcing the launch of the Task Force's website, www.seu-de.org. All Task Force documents and presentations are publicly accessible via this site.

All present were provided with an agenda and a copy of the November 13th meeting minutes. Task Force members approved and adopted the minutes.

Task Force members agreed to change the December 12th meeting time to 10:00am. The meeting location will be in Newark at the University of Delaware. The exact location is TBA.

Senator McDowell introduced the meeting's speakers, Dr. John Byrne, Task Force Co-chair and Director of the Center for Energy and Environmental Policy, and Ralph Nigro, Vice President of Applied Energy Group, whose presentations are both published at www.seu-de.org/documents.html.

Presentations

1. Review of Energy Efficiency and Renewable Energy Development in the U.S.

Dr. Byrne reviewed with the Task Force U.S. and key states' experience with energy efficiency and renewable energy development. He observed that successes at the national and state levels can be traced to well-constructed policies and innovative programs. A summary of the main points of his presentation are:

- Energy efficiency savings in the U.S. now account for energy services in an amount roughly equivalent to that provided by coal and natural gas and are projected to be the largest source of new energy services by 2025 (based on EIA's special feature on U.S. Energy efficiency trends in its *Annual Energy Outlook* (2002)).
- Competitively offered energy efficiency services produce energy savings for *less than 4 cents per kilowatt-hour*. Supply competition is important in Delaware, but unlike energy efficiency, supply competition is likely to serve energy needs at a retail price of 12-15 cents per kilowatt-hour.
- States with active energy efficiency programs spend relatively small amounts to achieve large energy savings. Vermont was noted as a leader in this regard, providing incentives in an amount equal to about \$23 per capita and reaping an annual reduction of more than 1% in electricity consumption. This reduction accumulates over the life of energy efficiency equipment (typically 12-15 years) – in other words, incentives of \$23 per capita reduce state electricity use by 12-15% over what it would be without state-promoted investment in this option.
- On the supply side, Dr. Byrne observed that the U.S. has moved away from large centralized power plants to small, distributed generators. The average plant size has fallen from more than 500 MW in the 1970s to less than 40 MW today.
- 22 states now have renewable portfolio standards (including Delaware) and are 'competing' to establish higher targets. New Jersey is a notable peer state, especially because of its adoption of a solar electric 'carveout' in which utilities operating in the state must supply at least 2% of their electricity from solar photovoltaic (PV) systems by 2020. An indicator of New Jersey's success is that solar electric Renewable Energy Credits (RECs – tradable market assets

- representing the energy, environmental and economic attributes of renewable energy generation) are now competitively trading in the state at more than 20 cents per kilowatt-hour on contract of 4-8 years in length.
- The incentive cost to encourage customer-sited PV generation in six state pioneers – California, Connecticut, Massachusetts, New Jersey, New York and Vermont – was shown to be less than the cost for retail electricity.
 - The levelized cost for PV after incentives was noted to be roughly equal to current retail electricity prices.
 - Good state policy design was shown to have made California and New Jersey solar energy market leaders.

Public comments

- John Kowalko noted that any future CO₂ taxes on conventional power plants would further increase the cost of conventional electricity, making renewables more attractive.
- Alan Muller observed that Delaware's utility energy efficiency programs were discontinued after electricity deregulation.

[State actions are examined in detail in the Briefing Book prepared for the Task Force (available on the Task Force's website).]

2. The Goal-Setting, Planning, Design, Implementation, Monitoring and Verification of Effective Energy Efficiency Programs

Ralph Nigro's presentation outlined the goal-setting, planning, design, implementation, and monitoring and verification requirements of successful sustainable energy programs. Key point of the presentation included:

- The importance of establishing specific market transformation goals was discussed and programs in the six states were noted for their effectiveness in accomplishing this step.
- Long-term planning was identified as the logical step accompanying goal-setting. Energy efficiency markets share a feature with all markets in their need for reliable and predictable policy signals. Without them, investors are reluctant to make the sustained commitments necessary to bring energy efficiency dynamically into the marketplace.
- Mr. Nigro noted that too often states have focused on design and have paid inadequate attention to the goal-setting and planning steps of program development. When states have built energy efficiency program design on careful investigation of goals and sound planning, the result has been significant penetration of energy efficiency technologies. California and Vermont were cited as examples of design excellence in large measure because they adopted a comprehensive strategy, rather than simply thrusting incentives into the market.
- A key factor in continued program success is well-designed monitoring and verification (M&V) protocols. Without high-quality data collection on program performance, it is impossible to identify what is working and how markets are transforming. Mr. Nigro drew upon the experience of several utilities which had

succeeded or failed in their energy efficiency initiatives to underscore the importance of M&V.

Public comments

The presentation stimulated discussion about how government policy can initiate new markets and demand for services. It was noted that there is typically a conflict of interest between utilities and the goal of improved energy efficiency. There was also extensive discussion of the need to address populations and areas of energy use that are not often served by market-oriented policies. The needs of low-income families (especially for weatherization) and catalytic role of government investments in energy efficiency and renewable energy technology were cited as important examples.

Open Discussion

Senator McDowell then invited comments from Task Force members and the public.

- Scott Johnson encouraged the Task Force to help nonprofits, specifically schools and public facilities, to take advantage of sustainable energy services. He noted that public and private nonprofits do not benefit directly from incentives like accelerated depreciation or tax breaks.
- Public Advocate Arthur Padmore questioned what rate impacts, if any, might result from these proposed programs. Dr. Byrne and Senator McDowell responded that the Task Force will clarify this important issue in upcoming Task Force meetings.
- Senator McDowell then discussed potential goals for a Solar Lifeline. He explained that a lifeline would provide low-income households with a life-sustaining amount of energy at affordable rates. He explained that public-private partnerships can leverage funds to support a Solar Lifeline.
- Senator Simpson asked whether energy efficiency services and a solar lifeline can be financed via similar mechanisms and Dr. Byrne agreed with Senator Simpson that it is worthwhile exploring energy efficiency and renewable energy options in this instance.
- Senator McDowell explained that at future meetings the Task Force will explore several options to finance the Sustainable Energy Utility and the Solar Lifeline.

Mission Statement Adoption

All present were provided with copies of the proposed mission statement. Senator McDowell asked Members to adopt the mission statement with an understanding that it can be revised and improved as the work of the Task Force proceeds.

After discussion and public comment, Dominique Baron motioned that the Task Force approve the mission statement; Dr. Byrne seconded her motion. All Task Force members present at the meeting, and one proxy vote forwarded by Keith Lake, agreed to adopt the mission statement.

Two suggestions for improvement were made by Members: 1) clarification of the language concerning recycling of equipment replaced by more energy efficient models

(this item appears in the last paragraph of the mission statement); and 2) the meaning of the statement concerning an expanded definition of energy efficiency be made more clear (this item also appears in the last paragraph of the missions statement)

Concluding Discussion

Senator McDowell proposed, to general agreement, that the Task Force establish three sub-working groups to address green buildings, weatherization, and commercial sector programs.

Senator McDowell also expressed a need for Delaware to increase its renewable portfolio standards and to create a solar carveout along the lines of the New Jersey policy. He observed that for Delawareans to participate in New Jersey's market for solar RECs, the Delaware legislature must increase the utility alternative compliance payment.

With thanks for all who attended and for the staff's research support, Senator McDowell concluded the meeting and welcomed all interested to attend the next meeting at 10:00am on December 12th in Newark.