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MEETING SUMMARY
MARYLAND CLIMATE CHANGE ADVISORY GROUP
Residential, Commercial and Industrial Technical Work Group
(RCI TWG)

Meeting #11, January 22, 2008

Attendance:

Technical Working Group: Dr. Paul Chan, Todd Chason, Brad Heavner, William Livingston, Mike Mallinoff, Matthias Ruth, Frank Heintz (MWG member)

Maryland State Department Representatives: Jim Lewis

Center for Climate Strategies (CCS): Christopher James, Alice Napoleon, Kenji Takahashi, Jennifer Kallay

Public Attendees: Jeff King

Background documents:

(http://www.mdclimatechange.us/GHG_Residential_Commercial_Industrial.cfm)

- Meeting Notice and Agenda
- Meeting #10 Summary
- Meeting #9 Summary (posted Jan. 22, 2008)
- PowerPoint for Teleconference
- RCI Policy Option Document (emailed to TWG and posted Jan. 21, 2008)

Discussion items and key issues:

1. CCS called the meeting to order, completed the roll call, and reviewed the agenda and plans for the call.
2. Approval for the meeting notes for Call #9 was deferred until the next meeting, since they had just been posted.
3. The summary of Call #10 was posted in advance. There were no objections to the draft summary of Call #10. The meeting notes for Call #10 were approved.
4. CCS noted that the inventory and forecast document has been posted, and a link to the draft was provided in the email meeting notice. Recent actions that should be reflected in the I&F, e.g., Congressional action to improve energy efficiency standards on appliances, will be on the agenda for the next TWG call.
5. Reporting from the MWG meeting:

The TWG agreed that the MWG did suggest combining policy options RCI-1 and RCI-6 during its January 15th meeting. The TWG also agreed that in terms of implementation, that the EERS, RCI-10, comes first, then RCI-2 is to fill the gap. RCI-9 was handed off to Energy Supply. Finally, after discussing the potential effects of Congressional policy on the overall benefits from RCI-11, the MWG suggested that the TWG think about a voluntary approach, such as the “billion bulbs” program.

6. Discussion of policy option analytical results and implementation mechanisms:

RCI-1 and -6:

CCS discussed details of how the combined policies could work. One goal would be established for the building code, and another for beyond code.

Questions were asked about existing buildings under RCI-6, especially those not going through major renovations. It was suggested that this sector might be a target of PAYS® type programs. The 50% threshold is sort of arbitrary. Mike Malinoff agreed to talk with CCS offline to flesh this out further.

No objections to using the proposed approach or to changing the goals for RCI -1 and -6.

RCI-2:

The analysis will assume that \$100 million per year is a budget maximum.

The cost of saved electricity reflects normal program administration costs. The cost of saved natural gas does not, but CCS is not aware of any data sources that include program administration costs.

There were no objections to proceeding with the analysis on this basis.

RCI-3:

CCS has not finished analysis on this policy option.

RCI-4:

A couple of adjustments were made to the NPV and to cost effectiveness. CCS also changed the avoided cost of electricity, which was formerly based solely on BG&E’s filing, to also include PEPCO’s slightly lower numbers. CCS indicated that it was still waiting for avoided emissions factors from Energy Supply.

In terms of implementation mechanisms, using LEED Gold only gets to 45% of the 50% overall goal. After discussion, the TWG agreed with an approach to start the analysis with LEED Silver, then over time, progress to LEED Gold and then Platinum to achieve the desired reach and amount of reductions. The reach of this policy is assumed to be 100%.

No objections to the proposed approach or to moving forward.

RCI-7:

Some modifications were made to costs, based on tweaks to the discounting period. For implementation mechanisms, the TWG adopted CCS's recommendations for periodic review and updating and to work with manufacturers when implementing new standards.

No objections to moving forward.

RCI-8:

Possible implementation mechanisms were discussed. These include: three-tiered inverted blocks and an assumption that implementation would require advanced metering. CCS suggested that with the existing structure of RCI-8, Standard Offer Service suppliers would want a lot of data to be able to bid in the procurement process:

- who be included on the different tiered rates, and when would they be transferred to this rate?
- who be included on TOU rates, and when would they be transferred to this rate?
- what is the anticipated load shape of customers on the tiered rate, and on the TOU rate?

CCS also noted that there would be the need for increased data systems management. Also, the need for a low-income exclusion needs to be further investigated.

Frank Heintz, a member of the MWG, joined the conference call to help with RCI-8. Frank Heintz expressed concern about implementing inclining block rates through the bidding process, especially in a restructured electricity market. Bidding and procurement are moving targets, and there is uncertainty as to how load will respond. There would be a need to quickly move to smart meters. Frank proposed a 2c/kWh and a 5c/kWh surcharge using consumption levels consistent with those used by SMUD. Revenue from the surcharge would be directed to DSM programs.

Concerns were raised about the political feasibility of such a program, and several questions were asked about how it would be implemented. The TWG agreed that some legislation would be required. CCS indicated that the proposal by Frank Heintz appeared to be structurally similar to one that CCS analyzed in Colorado, but CO is still a rate and utility regulated state.

CCS indicated that the revised RCI-8 could be analyzed with the suggested revisions. CCS noted that based on studies and experience to date, that consumer response to price changes is very low. Frank suggested that the policy apply to all customers, not just SOS.

While RCI-8 will not have the largest GHG reduction, CCS noted the value of aligning policies, public education and knowing the consequences of the public's daily decisions.

A suggestion was made to simplify the policy to look at tiered surcharges or smart meters.

No objections were expressed to having CCS analyze RCI-8 based on Frank's suggested approach. CCS asked about the expected time to implement this option. Some studies suggested 5-6 years, while others thought this was too rapid, and asked if there was any official policy. The TWG suggested that CCS follow up on this issue with the MD Office of People's Council.

The TWG also agreed to expand this to the commercial sector, but not to the industrial sector. CCS will analyze the policy based on surcharge amounts of 1¢/kWh and 2.5¢/kWh. No objections were raised to this suggested approach.

RCI-9:

To be handled by Energy Supply, per the previous MWG meeting.

RCI-10:

The TWG adopted CCS's suggestion that 1.6% per year be the highest target for natural gas efficiency.

RCI-11:

The MWG discussed the potential effects of Congressional policy. The MWG suggested that we think about the “billion bulbs” program. The overall benefits from the policy, as is, are small.

CCS suggested an alternative approach, an aggressive campaign to replace 95% of all incandescent bulbs with CFL by 2014. This would be limited to the residential sector and be more aggressive than the current policy. During discussion, it was recognized that this policy would still overlap with RCI-2, but that there were some benefits to having a separate program.

The policy design will be changed to reflect a 95% replacement of incandescent bulbs with CFL by 2014. No objections were raised to this proposed change or to moving forward.

7. Public input or announcements: none

Next steps and agreements:

8. The next RCI TWG meeting will be held on **February 6, 2008 from 2:00 PM to 4:00 PM EST**. The next MWG meeting will be held February 19th.
9. For the 2/6 TWG call, the agenda will include
 - Discussion of recommendations for modifying Maryland emissions inventory and projections (I&F)
 - Review of results of remaining analysis
 - Discussion of Key Uncertainties, Additional Benefits and Costs, and Feasibility Issues sections of the policy proposals