



WWW.MNCLIMATECHANGE.US

MEETING SUMMARY
MINNESOTA CLIMATE ACTION PLAN TECHNICAL WORK GROUP

Residential, Commercial and Industrial TWG Meeting #10 Summary
December 6, 2007, 3:00-5:00pm

Prepared by Bill Sierks and Bill Dougherty

The meeting was called to order by Bill Dougherty at approximately 3:00 pm.

In attendance were the following TWG Members:

- Rick Carter – LBH
- Chuck Dayton-MCEA
- Jeff Korsmo – Mayo
- Cindy McComas – Mn Tech Assistance Program
- Pat Perry – Target
- Doug Peterson-Center Point Energy
- Joe Steffel-Buffalo Public Utility
- Sheldon Strom- Center for Energy and Env., UoM

From MN state staff, the following were in attendance:

- Bill Sierks- MPCA
- Rebecca Walter

From the public, the following were in attendance:

- Public: NA

From CCS staff, the following were in attendance:

- Bill Dougherty

TWG members not in attendance were :

- John Carmody-UofM
- Gary Connett-GRE (called in)
- James Volanski – US Steel
- Greg Miller – ACS
- Bruno Zagar – FDL
- John Kelley – Ryan
- Mark Wolak – Mahtomedi
- Ann Glumac – Duluth
- Jonathan Holmes – Mittal

- John Brandl – UofM, Humphrey Institute
- KC Chermak – Pillar Homes
- Jeff Wilkes – FH
- Jeff Muffat-3M
- Cherie Shoquist-Minnesota Housing
- Mike Robertson-Commerce
- Bruno Zagar- FDL (called in)

The following background documents that were used as the basis for the discussions were posted on the website in advance of the meeting. These included the following documents:

- Meeting Notice and Agenda
- Summary of the 11/28/07 meeting
- Powerpoint Presentation for meeting (note: used presentation from 11/28/07 meeting)
- Analysis spreadsheets for each of the priority options (note: not posted; these spreadsheets have been distributed to TWG members individually)

The agenda for the meeting was as follows:

1. Call to order
2. Roll Call of TWG members and public
3. Review and approval of summary of TWG Meeting #9 (November 28, 2007)
4. Continuation of discussion of results of the analysis of RCI mitigation options
5. Proposed agenda, time and date for NEXT meeting
6. Public input and announcements

Bill Dougherty called the meeting to order and took the roll call (as summarized above). Bill D. indicated that the primary focus of meeting was to follow up on actions taken by the MCCAG at the December 5, 2007 meeting regarding 1) the RCI recommendations and 2) what the RCI TWG still needs to do on MCCAG-approved items. The group also suggested several additional items for discussion:

1. Revisit each option one by one to identify those approved by the MCCAG and those where work remains
2. Portion of MCCAG's overall 80 million tons of reductions attributable to RCI
3. Sales forecast update from ES meeting, review of the ES TWG growth factor
4. Roles and responsibilities for rewriting

1. REVIEW OF RCI OPTIONS. The MCCAG approved the RCI 1, 2, 3, 5, 8 & 9 policy options on Dec. 5 and the RCI TWG has more work to do on RCI 4, 6, 7, 10 and 1B:

RCI 1-B-- performing an analysis of energy savings beyond the 1.5% legislative mandate.

- The request to look at 2% came from MCCAG in light of the MGA's decision to reach 2% of energy sales through EE by 2015. Doug P. flagged some concern because utilities have not begun to implement 1.5%, and do not know whether it is even technically feasible, he therefore recommended not going beyond 1.5% . Utilities are currently at 0.6% , the legislature is more than doubling energy savings yet utilities have not gotten real support to reach the initial 1.5% target.

- The group agreed that rather than pulling together numbers beyond what it has already, and that if MN reaches 1.5% the TWG will then develop actions to get more efficiency, go to phase 2, i.e. 2%. The TWG may indicate that the CCAG recommendation does not line up well with professional judgment of TWG and report back

RCI 4 – CHP

- Some MCCAG members had objections to RCI – 4, mainly due to a lack of quantification of costs paid by government or others for incentives and tax breaks, etc.
- The current analysis identifies the capacity, capital costs, fuel, fixed and variable operating costs; on the savings side, the analysis examines the increased system efficiency of CHP, and that determines net cost. The questions for TWG to answer:
 - Of the total cost, would a developer finance much of this cost given the return on investment that investor could reasonably expect?
 - Do we have a realistic market penetration figure? Can we get 50% penetration with a net present value of 1.8 billion in costs?
 - What kinds of incentives there are right now? i.e. Are there any sales tax exemptions? Tax credits?

RCI 6 – Non-utility strategies

- TWG members suggested identifying total cost whenever possible (even though it is difficult to determine), specifying if and when a tax incentive results in an avoided cost or expense to the government (per feedback from MCCAG members), and including the cost of program implementation.
- To quantify the impact of negative costs and program costs to the government: the TWG would lump together tax incentives, and other economic assistance and financial incentives from the state. The analysis would separately identify technical assistance and the direct reduction strategy, although technical assistance is a part of this reduction strategy. The TWG analysis would then quantify the combined proposals and analyze the incremental costs and benefits.
- The TWG agreed that direct GHG reductions for industry are included and quantified, and suggested identifying and quantifying the type of technical assistance to industry.
- The TWG debated whether to recommend that tax incentives for RCI-6 should reflect payback periods since most businesses are deterred by more than a 24-month payback period. Bill D discuss this point with colleagues and come back with a proposal for the group to review and decide.

RCI 9 – The TWG should have numbers by early next week. A question was raised during the discussion of RCI6 on whether to include language that credits the use of renewables in energy efficiency and the TWG preferred to script this into RCI9.

RCI 10 – The TWG agreed that this is a non-quantifiable option.

2. PORTION OF GHG REDUCTIONS ATTRIBUTABLE TO RCI.

- The RCI contribution is set forth in the MCCAG December 5 materials, and Bill explained that a rough order of magnitude indicates that RCI policy options create about 25% of the reductions. *RCI 1* is in the 67 million-reduction range.
- If 40 - 50% of the 181 tons come from RCI, we should have more potential comfort in our ability to reach our overall target. For example, the 106.7 goal is Next Gen's statutory target. Adding in benefits of existing actions and MCCAG mitigation options, (if reductions are achieved), Next Gen is at 107.1 tons, or 0.4 beyond required reductions.
- Chuck indicated that eliminating the overlap between RCI options will reduce the total GHG reductions that we're achieving.

3. SALES FORECAST UPDATE FROM ES TWG MEETING 12/6/07

- The ES TWG agreed to return to the original proposal of 0.5% forecast. Bill explained that even though utility projections show a higher growth rate, the ES TWG felt that they must assume that they were going to comply with existing law and that Minnesota will achieve the whole 1.5%.
- The ES TWG felt that the growth rate of sales historically is very stable -- 1.72%/yr-- which includes 0.6% embedded energy efficiency. When 0.9% is netted out for new CIP savings, it drops to about 0.82%. The 0.5% reflects growth rate after future improvements.
- RCI TWG commented that 0.5% was very optimistic.

4. REWRITE RESPONSIBILITIES:

- RCI 2: Rick will send new language to focus on 2030 and the statewide building code, but still wants group comments on it.
- RCI 3: If the TWG has no further changes to RCI-3, Rick will send this to the Mayor of Minnetonka with case studies and the Two Harbors analysis. Chuck and Joe will look at developing language about economic feasibility and cost-effectiveness for this option.
- RCI 1B: Doug offered to draft option and reply to MCCAG, copying others in TWG.

SCHEDULE:

The next RCI TWG meeting is January 4th, from 1:00 to 3:00 PM.

PUBLIC COMMENTS:

There were no members public no comments.

ANNOUNCEMENTS:

There were no announcements.