

EERS Workgroup Meeting

Delaware Energy Office
1203 College Park Drive Suite 101
Dover, DE
January 28th 2011

Minutes

Attendance

Carolyn Snyder, DNREC
Glenn Moore, Delmarva Power
Kimberly Schlichting, DEMEC
Mark Nielson, Delaware Electric Coop
Sally Buttner, on behalf of DPA
Steve Thompson, Chesapeake Utilities
Jeff Tietbohl, Chesapeake Utilities
Michael Sheehy, DPA staff
Ralph Nigro, SEU
Cara Lampton, DNREC
Lado Kurdgelashvili, CEEP
Brian Gallagher, E3 Energy
Maggie Surface, CEEP/Senate Graduate Fellow
Cassie Brunette, CEEP/Senate Graduate Fellow
Janis Dillard, PSC
Andrea Maucher, PSC
Tom Noyes, environmental advocate

I. Welcome

II. Outline for review

The report review will be section by section discussing the identified outstanding issues (listed in the draft in the comment bubbles as well as below) and any other questions or comments brought forward by the group members. There will be no votes at this meeting.

III. Report Review

Section 1.0 Executive Summary

- Discussed DPA alternate approach for Executive Summary (see Appendix for text). Workgroup agreed to reformat to a bulleted summary and to reference Section 7.0 Summary Findings.
- A suggestion was made to include a foreword describing the Workgroup's chosen report outline and decision to use findings versus recommendations.
- Discussion on concerns with the derivation of the \$1.80 and \$0.50 estimates referred to in Section 1.3.1 recommendation. The estimates were derived by tripling the current maximum authorized in the statute. They represent a minimum level of charge needed to

be in range of the recommended funding needed (\$80-260 million), and are not the “Holy Grail” numbers needed to meet the targets.

- Workgroup agreed to rewrite the recommendation (Finding #1) to exclude efficiency charge numbers. Suggested revision will recommend that additional funding is needed to meet targets and will include a table or chart showing what percentage targets can be reached through a range of funding levels and timeframes. The table will identify what total amount of funding is needed and then how you could get there.
- Workgroup agreed to add a new chapter to address cost issues. This section will overview the funding issues, identify all current and potential funding sources (SEP ARRA, RGGI estimates, etc.) and suggest achievable targets based on the range of funding levels and sources (include ACEEE estimates).
- A request was made to quantify all possible revenue streams and to include a comprehensive look at current funding to assess deficit. This would also be included in the new Cost chapter.
- Workgroup also agreed to create a section stating all the assumptions that set the parameters for the cost analysis and to provide a risk analysis on the funding streams (and recommendations).

Section 2.0 Delaware EERS Background and Statute Issues

- Section 2.4.1. Discussed the need for estimates for the cost of peak demand programs in Delaware. Some utilities do not have cost estimates. Glenn Moore will provide estimates from Delmarva’s IPR analysis.
- Discussed section on accountability conflicts (recommendation #2 in Exec Summary). Workgroup agreed to make recommendation that a legislative change is needed to clarify the accountability of the targets in the statute.

Section 3.0 Current Status of Energy Savings Efforts

- Discussed peak demand savings section 3.3. Will add into Cost section a description of how energy savings reductions affect peak and how peak reductions affect energy savings. Include a caveat in Cost section noting the difference cost estimates for EE only versus Demand costs.

Section 4.0 Delaware’s Energy Efficiency Resource Standard Savings Targets

- No comments on this section

Section 5.0 EERS Challenge

- Add Forward Capacity Market bids as funding option and note that further investigation is required. Also add paragraph to the Cost section noting that this funding stream option was discussed by workgroup, but quantification of costs and revenue is still needed.

- Section 5.2.1 - Option #1. Re-write needed to clarify the difference between utility programs versus funding needs. Need to distinguish difference between accountability and funding. Note in paragraph that funds from utilities would come from recovery rate from decoupling not stakeholders. Transparency of funding source and public perception of source is a concern of the workgroup. Need to add Janis's comments on public education and transparency in the report.
- Section 5.2.1 Option #5. Workgroup agreed with proposal to tie mandatory participation dynamic pricing programs. Revise section to better describe appropriate types of mandatory efficiency programs, such as cross marketing.
- Section 5.2.1 Option #12. Discussed potential for renewable energy to count toward peak demand reduction, efficiency gains through reduced consumption, and the relationship to the RPS. Workgroup agreed to keep option but to add a note that the magnitude of the effects is unclear.
- There is no #16.
- Section 5.2.1 Option #17. Workgroup expressed concerns with net metering expansion. Will remove unless author requests it stay in and provides a more detailed justification of the benefits.
- Glenn Moore will write up DPL statement on-bill financing.
- Sally Buttner will send comments on RE/EE trading.

Section 6.0 EERS Workgroup Issues

- Report needs to expand review/findings on impact of efficiency charges on large customers.
- Section 6.3 Customer Impacts:
 - Discussed concern over the suggested target percentages of Scenario 2 and over differing scenarios based on program participation versus funding levels. Inclusion of scenarios helped to frame conversation, but will be removed if the new funding/time table better represents this issue.
 - Discussed Section 6.3 paragraph additions (p.48-49). New proposed paragraphs claim net increases in total energy costs. The resulting economic impacts have not yet been analyzed and discussed in detail by this Workgroup. Suggestion was made to expand this section into a risk analysis/assumptions section to better address and quantify both the potential benefits and drawbacks of programs on customers and rates
 - Will add paragraphs to include more details on broad economic benefits as well as highlight expected program participant benefits

Section 7.0 Conclusions and Findings

- This section will need to be rewritten to reflect updates to the report.

Section 7.2 Summary Findings

- Change Finding #1 by removing charge recommendation. Suggestion to add sentence “unlikely to achieve legislated targets given current and prospective funding levels” and reference to cost estimates table provided in new cost section.
- Finding #2 will state what surcharge would be needed if it were the only funding source used to support achievement of the targets
- Include a finding on the Workgroup’s agreed to definition of the targets themselves
- Include a finding on the Workgroup’s identification of the accountability conflict (recommendation that the legislature must amend the statute to resolve the issue)
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CEEP Memo (sent evening of Jan 27)

- Confirmed estimate of annual revenue from efficiency charge is \$8.5M. Report language will be added to clarify this is the revenue from all customer classes, not just residential.
- Workgroup discussed differences in quoted range estimates from current draft report (\$80M-\$240M) and a new estimate from CEEP (\$331M-\$353M). Discussed use of a newly proposed range of \$286M-\$842M based on ACEEE methodology and indicators of what would be likely based on certain assumptions in programs, timelines and funding sources.
- Ralph will review cost estimates and financing estimates.
- In response to the memo, DNREC requested the following information be provided:
 - 1) CEEP description of how they got the new CEEP cost estimates since they were not in the provided CEEP report
 - 2) CEEP estimate of the lower potential costs that could be reached through financing instead of the assumptions in ACEEE and CEEP cost estimates (to provide numerical justification to the requested additional language on financing programs).
- New Cost section will explain the difference between upfront costs and Levelized Cost of Saved Energy and walk through estimates for both based on the statute targets.

IV. Next Steps

Any additional comments are due by Friday February 4th. Conference call vote is scheduled for February 16th, but date is subject to change based on amount of comments received.